KURDISTAN THROUGH THE LENS OF THE **WORLD LEADERS**



SAFEGUARDING FINANCIAL STABILITY & DEVELOPING A MODERN ECONOMY
PM NECHIRVAN BARZANI

KRD
KURDISTAN'S IT STRATEGY

KURDISTAN REVIEW

SPECIAL ISSUE — 2016
Diplomacy & Politics
Business
Energy
How to Start-up
ICT
Agriculture
Human Capital
The Guide

Forging Ties Globally

RECORD LEVELS OF **OIL EXPORTS**





AGRICULTURE:
DISCOVER THE POTENTIAL



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aims to strengthen its market leadership by constantly enhancing the excellence of its products through a process of continuous reinvestment and innovative manufacturing and marketing strategies.

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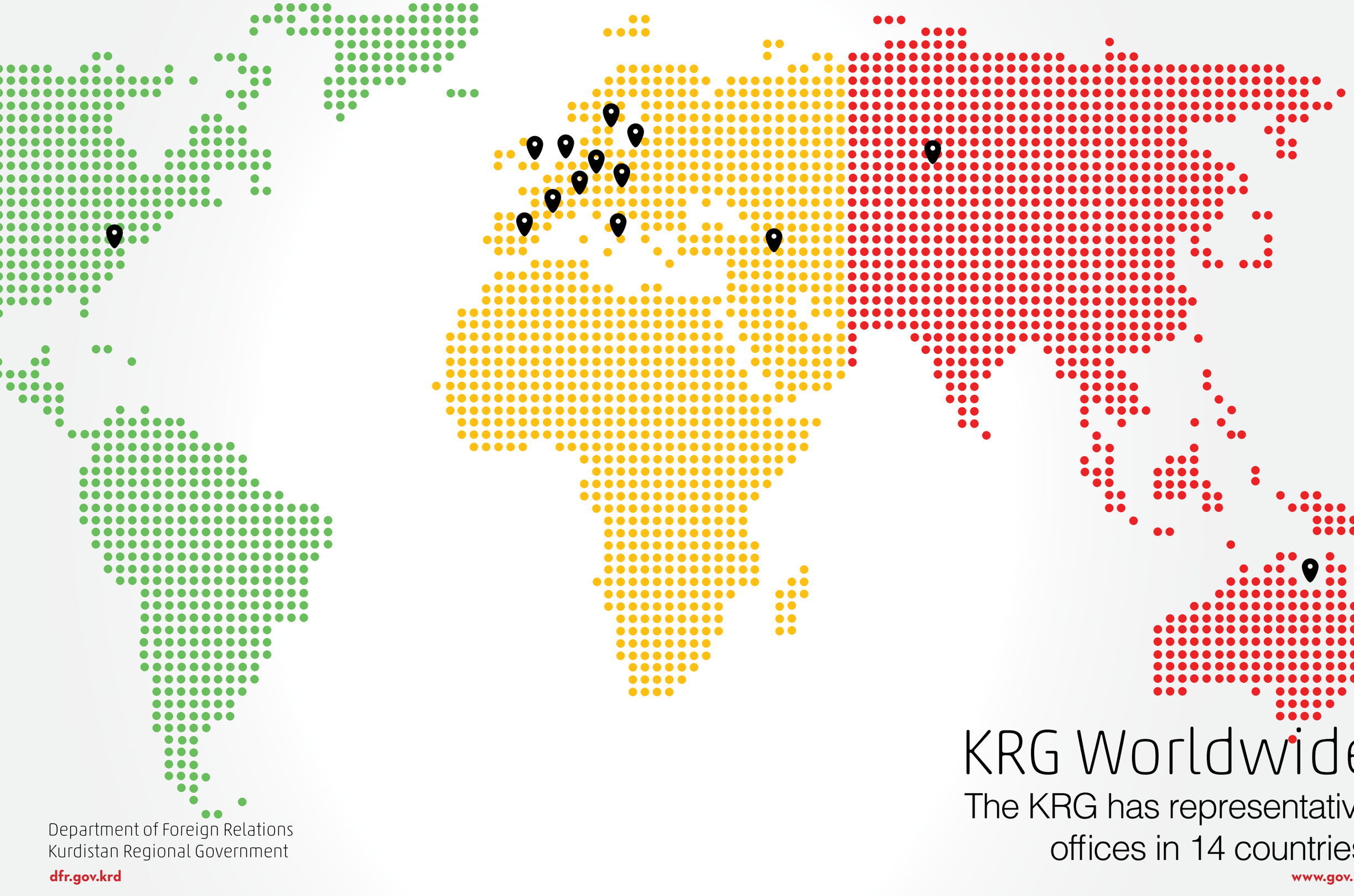
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www.gov.krd

Department of Foreign Relations
Kurdistan Regional Government

dfr.gov.krd

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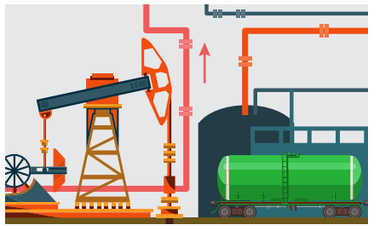
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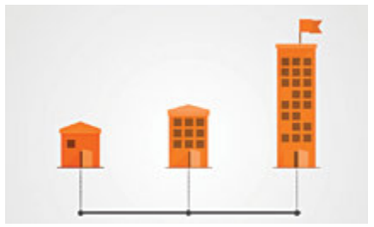
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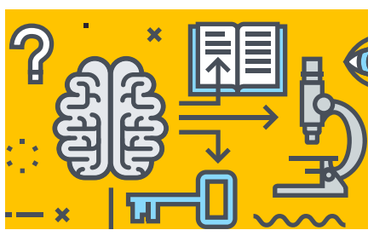
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"The Guide" helps you to experience social and cultural life in the Kurdistan Region in order to better realize its dynamics. It details the premium hotels, restaurants, health clubs, luxury brands, and shopping centers of the Kurdistan Region.



Kurdistan Review

Keeping an eye on the alluring leaders, emerging sectors, leading companies, and rising trends shaping the future of the Kurdistan Region of Iraq.

In partnership with

Department of Foreign Relations (DFR)
Kurdistan Regional Government (KRG)

Special Thanks to
Minister Falah Mustafa Bakir

Project Leader: Niyaz Barzani,
Director of Media & Communications, DFR

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InvestIn Group (IIG) is pleased to announce the release of the eleventh issue of *"Kurdistan Review,"* which provides fresh business perspectives and features the alluring leaders, emerging sectors, leading companies, rising trends shaping the future of the Kurdistan Region of Iraq.

The Kurdistan Region has remained safe, stable, and open for business in spite of the recent political turmoil in Iraq and the region. The outstanding support of the international community for the Kurdistan Region in its fight against terrorism reflects an investment in the future of Kurdistan and the Kurdish people.

The Kurdistan Regional Government is committed to creating the best possible business environment for foreign companies operating in Kurdistan. A favorable Investment Law and stable business environment have enabled Kurdistan to achieve economic progress across a wide variety of sectors. We truly believe the Kurdistan Region can serve as a beacon of economic and social progress.

The IIG team has met with government officials and key players from the private sector to examine recent developments in the Kurdistan Region. Kurdistan Review – Special Issue focuses on Diplomacy, Business, Energy, ICT, Higher Education, and Agriculture.

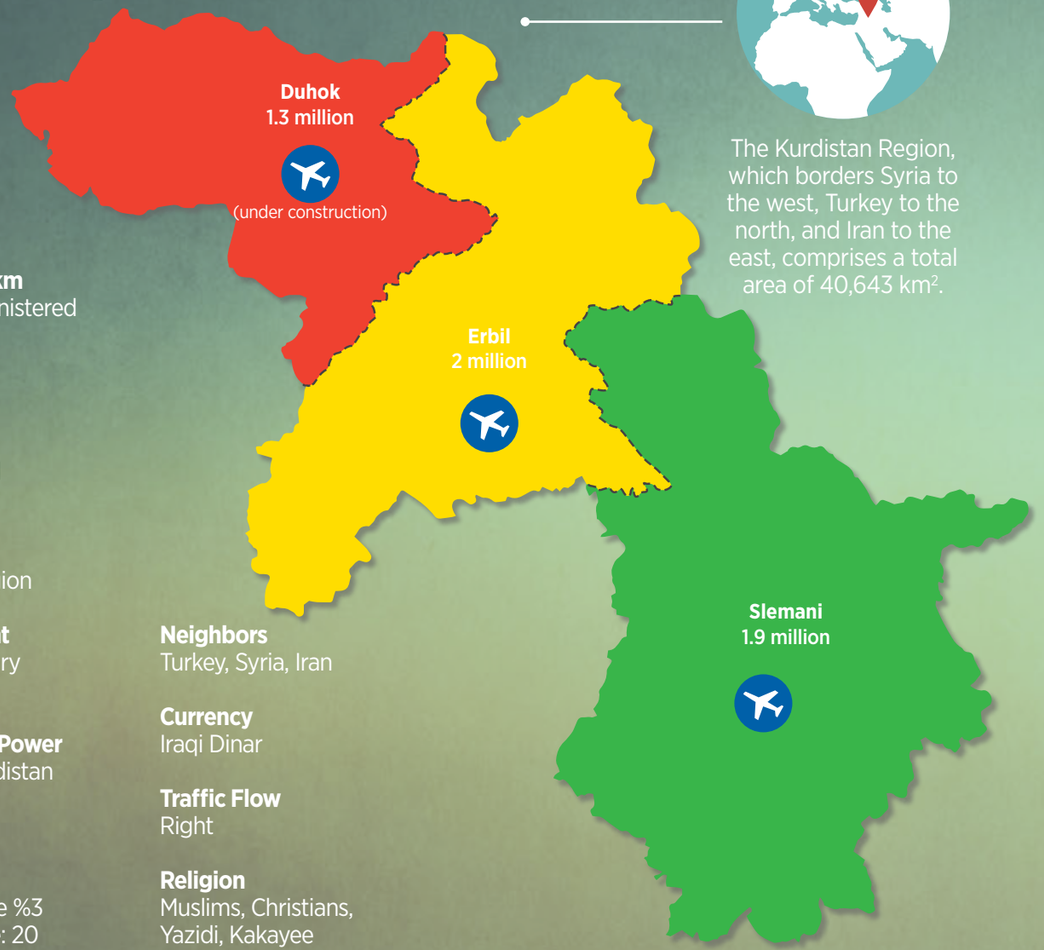
We would like to express our gratitude to Minister Falah Mustafa Bakir and the DFR team for their support of our project in the Kurdistan Region of Iraq.

Enjoy!

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Contributors: Anwar Anaid, Brad Camp, Gary Kent, Shwan Zulal
Researcher: Sabine Ofer

5 Minute Reading

THE KURDISTAN REGION
Facts & Figures



The Kurdistan Region, which borders Syria to the west, Turkey to the north, and Iran to the east, comprises a total area of 40,643 km².

Area
40,643 sq km
(KRG-Administered Areas)

Capital
Erbil

Established
1991

Status
Federal Region

Government
Parliamentary Democracy

Legislative Power
111-seat Kurdistan Parliament

Population
5.3 Million
Growth Rate %3
Median Age: 20

Age Structure
0-14 years: 36%
Over 63: 3%

Life Expectancy
70

Offical Languages
Kurdish, Arabic

Ethnic Groups
Kurds, Assyrians, Chaldeans, Turkmen, Armenians, Arabs, Syriac

Neighbors
Turkey, Syria, Iran

Currency
Iraqi Dinar

Traffic Flow
Right

Religion
Muslims, Christians, Yazidi, Kakayee

Time Zone
GMT +3

Tel. Code
+964

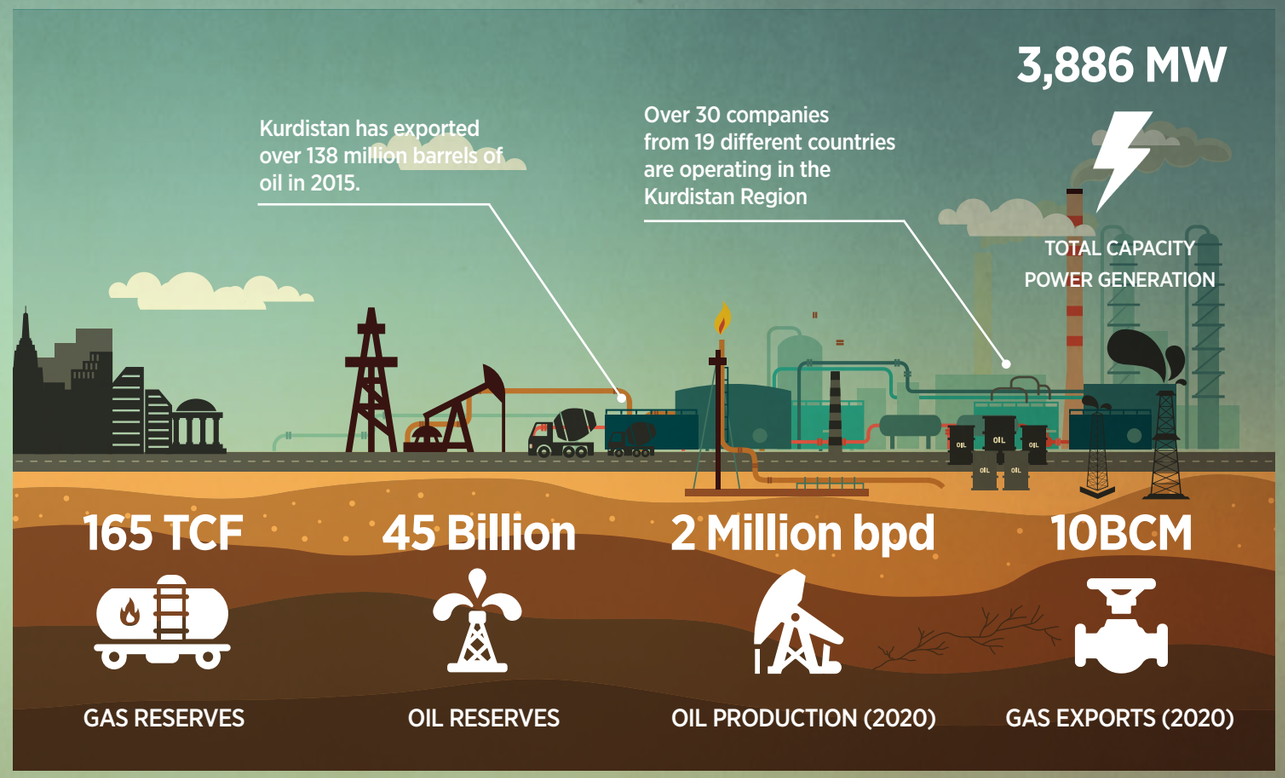
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Climate
Semi-arid Continental

Literacy
%93

Investment Law, Article 5:
A Project shall be exempt from all non-custom taxes and duties for 10 years starting from the date of providing services by the Project, or the date of actual production.

$26.5B	$7,000	$17.5B	6%
GDP (2013)	GDP PER CAPITA (2013)	GOV'T BUDGET (2013)	INFLATION RATE (2013)



165 TCF	45 Billion	2 Million bpd	10BCM
GAS RESERVES	OIL RESERVES	OIL PRODUCTION (2020)	GAS EXPORTS (2020)

2995	$3Billion	$2.3Billion	Major Trade Partners & FDI Countries
FOREIGN COMPANIES	FDI (2013)	INVESTMENT PROJECTS (BANKING)	UK, EU, TURKEY, LEBANON, JORDAN, EGYPT, IRAN, UAE, CHINA, USA

$41.5B	8%	2.1Million	10%
TOTAL INVESTMENT(2006-2014)	GROWTH RATE (2013)	LABOR FORCE	UNEMPLOYMENT (2013)

THE REVIEW: DIPLOMACY & POLITICS

Challenging Year Ahead

Despite the challenges the Kurdistan Region faced since June 2014, the KRG has not retreated from its main goals– improving security in the Region and forging strong diplomatic ties globally.



This year marks the 25th anniversary of the establishment of the Kurdistan Region of Iraq. Since its establishment in 1991, the Kurdistan Region of Iraq has managed to achieve a developing economy, robust security, and cultural tolerance.

Such rapid economic growth has provided an important foundation for the international business community, which has successfully established itself in the Kurdistan Region. However, the KRG encountered unexpected problems that proved to be extremely serious since June 2014. Disagreements with Baghdad over the allocation of federal budgetary resources, fighting against ISIL terrorism, tackling deep economic crisis, and hosting large number of IDPs and refugees dominated the KRG's political and diplomatic agenda. The question of how and when the KRG would be able to overcome those challenges loomed large, yet the Kurdistan Region's stability, security, and confident foreign policy ended up paving the way for huge support to surmount these issues from its regional and global partners.

Thanks to the help of the international coalition against ISIL that has formed over past year, Kurdistan's military forces, the Peshmerga, have been able to restore security along the borders of the Kurdistan Region.

Kurdistan's fight against ISIL terrorism and Peshmerga forces outstanding performance raised the Kurdistan Region's global profile and positively impacted its foreign relations.

In a year marked by the terrible human consequences of ISIL brutality, Kurdistan also demonstrated its tolerant and maturing democratic culture to the international community by opening its doors to 1.8 million IDPs and refugees.

GOVERNMENT STRUCTURE

The Kurdistan Regional Government (KRG) is the autonomous governing body of the Kurdistan Region, and holds constitutionally recognized authority over the governorates of Erbil, Duhok, Slemani, and Halabja.

The KRG's governance of the Kurdistan Region is largely autonomous from federal Iraq. Iraq's Constitution recognizes the KRG and the Kurdistan Parliament as Kurdistan's governmental institutions and identifies the Peshmerga as the Kurdistan Region's military force. The Constitution also gives the KRG authority to exercise legislative and executive authority in certain areas, including allocating the regional budget, security, education and health policies, natural resources management, and infrastructure development.

Kurdistan has an independent judicial system. The system is headed by a Supreme Court of Cassation, which decides cases of the highest importance, as well as cases that have been appealed through lower courts. The judicial system also has a number of lower courts that decide on commercial and criminal disputes.



The Kurdistan Region is governed by a unicameral legislature, the Kurdistan Parliament.



KURDISTAN AT A GLANCE

ESTABLISHED
1991

STATUS
Federal Region

POLITICAL STRUCTURE
Parliamentary Democracy

LEGISLATIVE POWER
111-seat Kurdistan Parliament



THE PARLIAMENT

The Kurdistan Region is governed by a unicameral legislature, the Kurdistan Parliament, which considers new legislation, scrutinizes government activities and policy, and debates major issues before the Region.

The Kurdistan Parliament shares legislative authority with the Iraqi Council of Representatives in the areas of education, health policy, historic preservation, policing and internal security, transport, natural resource management, environmental policy, and tourism. The laws of the Kurdistan Region take precedent over federal legislation in issues involving customs, the distribution of electricity, internal water resources, and general planning. In addition, as per Article 115 of the Iraqi Constitution, all powers not explicitly reserved to the Iraqi federal government belong to Iraq's regional authorities, including the Kurdistan Parliament. When regional laws contradict federal legislation outside areas specifically reserved for federal authorities in the Iraqi Constitution, the Kurdistan Parliament has the authority to amend the application of federal laws within the Kurdistan Region.

Under regional electoral law, elections for the Kurdistan Parliament must be held every four years. Members of the Kurdistan Parliament are elected through a system of proportional electoral representation. The Parliament houses 11 functional committees that oversee legislative issues within their purview. In addition to legislating Kurdistan's laws and budget, the Parliament is also responsible for ratifying agreements with foreign entities and working with the federal government.

In February 2009 several amendments were made to the Kurdistan election law to increase the inclusiveness of all groups. To encourage diversity, 11 seats in the Kurdistan Parliament are automatically assigned to parties representing minority groups in Kurdistan. Five seats are allocated to Turkoman representatives, five to Chaldean, Assyrian, and Syriac representatives, and one to the Armenian community. In addition, a legal minimum quota is in place to ensure that women hold at least 30% of the seats in Parliament. There are 111 seats in the parliament. The first Parliamentary elections were held on 19 May 1992.





AT A GLANCE: PARLIAMENTARY ELECTIONS

The 2013 Parliamentary elections proved once again that elections in the Kurdistan Region are conducted democratically and are reliable.

Voter turnout and political participation in Kurdistan are relatively high: the 2013 elections had a 74% turnout of eligible voters.

The minimum age of parliamentary candidates is 25.

The legal minimum quota of female parliamentarians is 30 percent of the legislature. The 111 MPs in the Kurdistan Parliament represent the following political lists and parties:

POLITICAL PARTIES

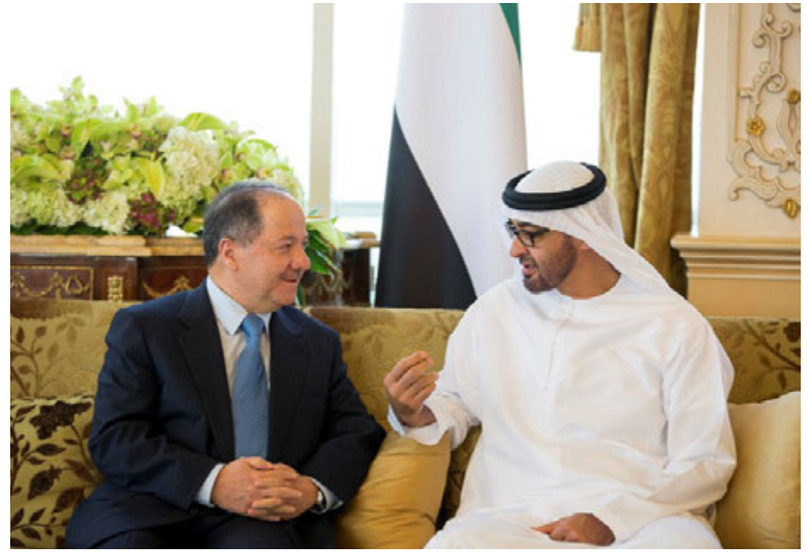
Kurdistan Democratic Party
Gorran Movement
Patriotic Union of Kurdistan
Kurdistan Islamic Union
Kurdistan Islamic Group
Islamic Movement of Kurdistan
Socialist Democratic Party
Kurdistan Communist Party
Toilers Party
Turkoman Development List
Erbil Turkoman List
Turkoman Change and Reform List
Turkoman Movement List
Rafidain List
Chaldean, Assyrian, & Syriac Alliance
Abna Rafidain List
Barwan Isan Mergoz Batros

THE PRESIDENT

The President of the Kurdistan Region is elected directly by the people of Kurdistan. The President is the Commander-in-Chief of the Peshmerga (who are the Regional Guards). The President, as established by the Parliament in 2005, is elected every four years. The President appoints the Prime Minister from the largest bloc to form a government. The cabinet is then approved by the Kurdistan Parliament. Masoud Barzani is the current president of the Kurdistan Region. His term in office was extended by an act of the Kurdistan Parliament in 2013.





















FOREIGN RELATIONS —

The KRG's energetic and broad foreign relations are crucial and integral components of the Kurdistan Region's economic and social development.

The KRG's primary body for directing its foreign affairs is the Department of Foreign Relations (DFR), which is headed by Minister Falah Mustafa Bakir. The DFR's foremost objectives are to raise the global profile of the Kurdistan Region, improve the Region's international ties with various governments and international organizations, and present the emerging opportunities in the Kurdistan Region to regional and international actors.

Kurdistan is determined to work closely with its immediate neighbors in order to contribute stability, security, and prosperity to the region. In accordance with its policy of open door diplomacy, the KRG has been able to forge strong ties with its immediate neighbors in recent years.

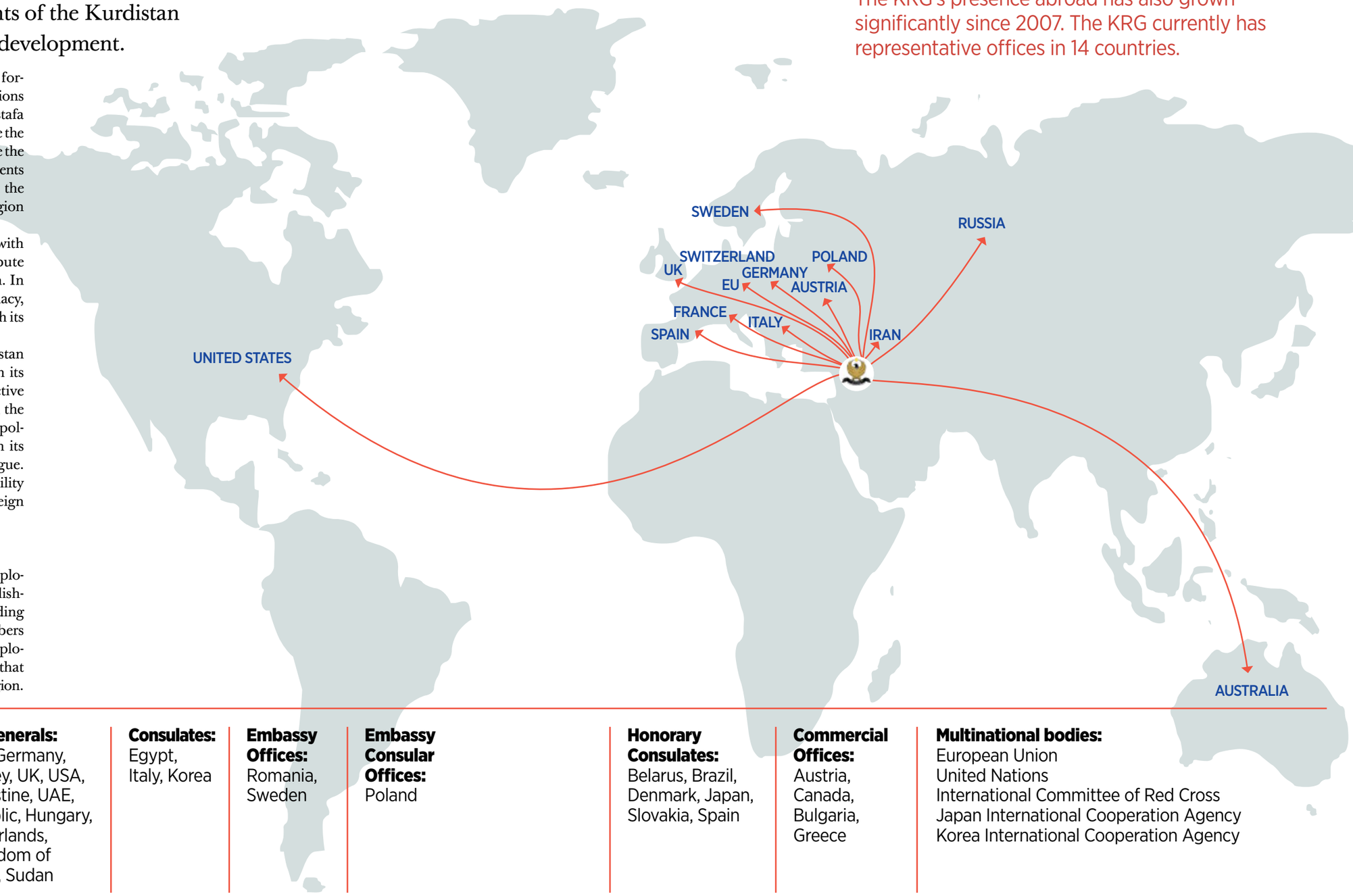
The KRG has been able to shape the Kurdistan Region into a gateway to Iraq, not only with its economic development, but also with its active foreign policy vision. Moving into the future, the KRG intends to maintain a dynamic foreign policy based on developing good relations with its neighbors and resolving issues through dialogue. This will allow Kurdistan to strengthen its ability to develop prosperous relationships with foreign capitals throughout the world.

Foreign Representations in Kurdistan

The Kurdistan Region has made remarkable diplomatic progress since 2003, achieving the establishment of 33 foreign representation offices including consulates general of the five permanent members of the UNSC in the Region. This significant diplomatic presence demonstrates the confidence that foreign governments place in the Kurdistan Region.

KRG WORLDWIDE

The KRG's presence abroad has also grown significantly since 2007. The KRG currently has representative offices in 14 countries.



DIPLOMATIC MISSIONS

Consulate Generals:
Iran, Russia, Germany, France, Turkey, UK, USA, Jordan, Palestine, UAE, Czech Republic, Hungary, China, Netherlands, Kuwait, Kingdom of Saudi Arabia, Sudan

Consulates:
Egypt, Italy, Korea

Embassy Offices:
Romania, Sweden

Embassy Consular Offices:
Poland

Honorary Consulates:
Belarus, Brazil, Denmark, Japan, Slovakia, Spain

Commercial Offices:
Austria, Canada, Bulgaria, Greece

Multinational bodies:
European Union
United Nations
International Committee of Red Cross
Japan International Cooperation Agency
Korea International Cooperation Agency

THE KURDISTAN REGION Through the eyes of WORLD LEADERS

The Kurdistan Region has demonstrated its tolerant and maturing democratic culture to the international community by opening its doors to 1.8 million IDPs and refugees. During their visits to the Kurdistan Region, various world leaders have reiterated their support for the KRG.



Vesna Pusić, Former Croatian Deputy Prime Minister

"Croatia is committed to continue its support to the Kurdistan Region at both military and humanitarian levels."



Joe Biden, United States Vice President

"We praise the role of Peshmerga forces in containing ISIL advances and pushing them back."



Sheikh Muhammad Bin Zayed Al Nahyan, Crown Prince of Abu Dhabi

"We would like to develop our relations with the Kurdistan Region in various fields, including the economic sector."



French President François Hollande

"Kurdistan is at the forefront of the fight against ISIS terrorists. France will continue to provide humanitarian and military aid to Kurdistan in its fight against ISIS terrorists."



John Kerry, US Secretary of State

"The Kurdistan Region has achieved remarkable progress in the past ten years."



Philip Hammond, UK Foreign Secretary

"The UK will continue to work closely with its allies to ensure the delivery of aid, military support, and training for the Peshmerga forces so that they are better equipped to tackle and defeat the terrorists."



Bohuslav Sobotka, Prime Minister, Czech Republic

"We will continue to provide assistance to the Kurdistan Region and its Peshmerga forces in the fight against terrorism. We are ready to expand cooperation with the Kurdistan Region to include other fields."



Sebastian Kurz, Austrian Foreign Minister

"We are determined to continue to provide humanitarian assistance to refugees and displaced persons."



Viktor Orbán, Hungarian Prime Minister

"We strongly support for the people of Kurdistan and its legitimate rights, particularly in the fight against terrorism."



Ursula von der Leyen, Defence Minister, Germany

"We will continue to help the KRG by providing weapons, military equipment, and training as well as the provision of more humanitarian aid. We praise the culture of tolerance and peaceful coexistence in the Kurdistan Region."

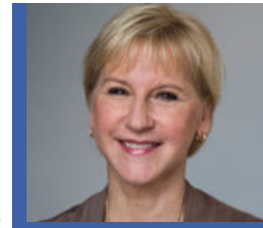


Norwegian Foreign Minister Børge Brendein

"My visit is meant to clearly illustrate Norway's support for the people of the Kurdistan Region in their fight against terrorism."

Roberta Pinotti, Defence Minister, Italy

"We are ready to strengthen our commitment to the Kurdistan Region. We will increase cooperation between the Peshmargas and coalition forces."



Swedish Foreign Minister Margot Wallstrom

"Peshmerga forces have proven that they are a reliable force. They have been an important element in the fight against ISIS. There is an urgent need to address the problem of ISIS and to support the Peshmerga forces."



German Foreign Minister Frank-Walter Steinmeier

"Germany will continue to provide humanitarian aid to the IDPs. Germany will do whatever it can to help the KRG cope with the refugees."

Insight

Safeguarding Financial Stability & Developing a Modern Economy

PRIME MINISTER NECHIRVAN BARZANI •
KURDISTAN REGIONAL GOVERNMENT

Over recent months, various issues have become the source of intense discussion and debate in the Kurdistan Region. It is not surprising that our fellow citizens are deeply concerned about the current situation and their concerns have reached a level higher than ever before. Their concerns are largely rooted in the financial crisis facing our region, in their daily struggle to secure a better life, and to raise their children in good health and with access to good education.

It is right that every citizen should pay attention to these concerns. The response of the KRG over the coming years will be to work toward ensuring that our economic system benefits all of our citizens. Our strategy should remedy social vulnerabilities, provide protection and safety, provide youth with real opportunities, bring about financial stability, and preserve our natural resources for future generations.

As we all know, the dramatic events of the last year were totally unexpected. It was a tough and challenging year for our people and the economy of the Kurdistan Region. We have been facing multiple shocks that have required urgent responses. The sharp decline in global oil prices from more than $100 to below $30 per barrel within less than two years, which was completely unexpected, has been catastrophic. It has severely affected our economic growth, our public revenues and our currency, and our social-economic condition.

Prior to the dramatic fall in oil prices, the Iraqi Federal Government had already been withholding the Kurdistan Region's share of national revenue since the beginning of 2014. This had caused a surge in our budget deficit which hampered our government's capacity to respond to these unexpected circumstances. ISIS' aggression, compounded by the influx of nearly two million refugees and internally displaced persons caused by this war, has greatly exacerbated our financial situation. Despite our limited resources, the KRG remains committed to helping those in need during this period of turmoil.

The reform plan prepared by the Ministry of Finance & Economy, once implemented, should have a real and direct impact on all our citizens. Since the beginning of last year, I have personally supported the Ministry of Finance & Economy in their efforts to develop and implement plans intended to strengthen and enhance our capacities to respond to this crisis.

Our aim has been to raise the Ministry of Finance & Economy to an international standard in terms of financial administration, within the framework of our mission to achieve economic stability and sustainable growth in the Kurdistan Region. We are determined to reorganize the structure of public banks, to modernize the financial sector, to reinvigorate our economy and to galvanize support for the private sector. We are also committed to strengthening transparency and accountability within the government.

Achieving these goals will create an environment conducive to bringing about financial stability and durability for our government, and develop a modern economy in the Kurdistan Region. It will also provide a healthy, competitive environment for investment.

Despite the challenges facing our region, it is important to highlight the achievements of our region over the past 12 years. Since 2004, the economy of Kurdistan Region has witnessed remarkable growth. The KRG has taken steps to facilitate economic opportunities in the region. More than $40 billion was invested in the region between 2006 and 2013 of which $5 billion was foreign investment.

All of our social indicators have improved considerably over the past 10 years. However, our economy is facing structural and institutional impediments - onerous regulation, inefficient financial markets, and an inflexible labor market. To achieve more for our people we have to plan for the future by engaging with the current challenges and committing ourselves to strengthening our public institutions, to reform our economy and to strengthen accountability.

Therefore, we as a government will work as key partners with our business community, unions, trade unions and academics to support the reform process. This year will be a year of reform and modernization across government institutions. We will put in place policies aimed at reducing poverty, strengthening productive sectors, and we will pursue an agenda of growth so as to benefit our future generations.



I would also like to highlight the bravery of our Peshmerga. Our Peshmerga forces are defending the values we share with our partners in the international community. We have invested so much blood and resources to protecting the common values for which we stand.

> **Our reform plans will benefit all of us, above all the next generation.**

We are at the forefront of the war against ISIS and we care for nearly two million refugees and IDPs, more than 98% of whom are Iraqi citizens. Yet, regrettably, the Iraqi Federal Government has provided almost no financial support to the KRG. Further, most of our partners in the international community refuse to directly arm our Peshmerga forces. This is dangerous. I would not be exaggerating if I were to say that this is as dangerous as the threat of ISIS to the Kurdistan Region.

Considering the financial situation that we are going through, especially the markedly inadequate support for our Peshmerga, our institutions are in serious danger. Therefore, I would like to call upon the United States of America and other members of the anti-ISIS coalition to urgently raise their level of support to meet the needs of our Peshmerga forces and our public institutions. We, the people of the Kurdistan Region, especially our Peshmerga forces, expect more support, particularly financial support from our friends in the international community.

The people of Kurdistan have well-demonstrated their resilience. I realize times are especially tough, but I promise that we will reach our ultimate objectives. We will destroy ISIS, we will build new industries, including natural gas, which we will export to the world market. We will build a just, prosperous and united society. During this time of austerity, those who are more capable will have to share the burden with others who are less fortunate. We all have to work together.

Our reform plans will benefit all of us, above all the next generation. I am convinced that the decisions we make today in the near future will provide our children with real opportunities. That is what the new generation expects from us and we cannot disappoint them.

Building Bridges



Falah Mustafa Bakir —
Head of the Department of Foreign Relations

IIG talks to Minister Falah Mustafa Bakir on the KRG's foreign policy priorities.

What have been the greatest successes achieved diplomatically in recent years, and how do you see Kurdistan's regional and global foreign policy evolving over the long term?
The KRG has been able to work according to a clear objective of what it wants to achieve and where it is headed. The KRG is committed to certain principles, values and goals that connect it to the outside world. The clear vision of the leadership and their commitment to good governance, openness and interaction with the international community has helped a great deal in building bridges. We benefit from our past and our tragic history of the people of Kurdistan and translate this into prosperity for the future. All these factors meant that the KRG was able to gradually expand its ties with the international community.

Interaction with partners helped participation in the international arena. First, we looked at friendly nations around the world as partners. We tried to build strong relations and ties so that we work in partnership on two main fronts, within and outside Kurdistan Region. We encourage nations to open diplomatic missions which play a role in enhancing our ties with the countries represented locally. Through the KRG offices abroad, we try to sustain and further develop ties with the countries the offices are located in.

The fight against ISIL and the role Peshmerga play have helped a great deal in promoting the case of Kurdistan. The history of the Kurds led to our open door policy, we welcomed 250,000 refugees from Syria and 1.5 million internally displaced persons from the rest of Iraq, which has given us attention and appreciation of the international community. Our firm belief and practice of sectarian, religious and national tolerance has helped the case of Kurdistan internationally. The KRG uses public, energy, commercial and social diplomacy to deepen ties.

How would you characterize the KRG's diplomatic cooperation with the international community against the Yazidi Genocide?
The KRG leadership, party officials, civil society and the media all play a role in mobilizing international support for the recognition of the Yezidi Genocide. The KRG strongly believes in peaceful coexistence, tolerance and equal rights of all communities living in Kurdistan, as we are all equal partners in this country. The Kurds have been oppressed in the past, have been treated as second class citizens and therefore understand the situation and pain of the Yezidi Kurds. We are determined to ensure they are treated with respect and dignity, and that their rights are guaranteed and protected.

The tragedy that has befallen on the Yezidi Kurds truly was genocide. Therefore, the KRG explored different ways to highlight their case to try to bring the perpetrators of the heinous crimes to justice. The DFR wrote to the embassies in Baghdad and the diplomatic missions residing in Kurdistan Region so they can report back to the ministries of their respective countries. In addition, the DFR wrote letters to over 30 foreign ministers to ensure the genocide of the Yezidis was illustrated in 2015 UN General Assembly speeches. During bilateral meetings that take place in and outside Kurdistan, the plight of the Yezidis and the recognition of the genocide are raised, as well as during international conferences.

The Yezidi case is high on the agenda and the DFR puts a lot of effort into meeting the needs of the Yezidi Kurds. A special consular session for the diplomatic missions was organized to address the needs to stabilize and rebuild Sinjar, and to recognize the crimes committed as acts of genocide. The government has successfully attempted to rescue captives and provide care once they have reached safety in Kurdistan.

The DFR developed a memorandum of understanding (MoU) with the government of Baden-Wurttemberg and Lower Saxony to send female survivors to Germany for rehabilitation. There are ongoing talks with various stakeholders on how to help rebuild trust between the local communities of the liberated areas, while a KRG ministerial committee is continuously working on documenting the crimes to help the case at the International Criminal Court.

During all consular corps meetings, we stress on the humanitarian crisis and further assistance. We ask for more support from donor countries, our friends and allies in the international community, the United Nations agencies and international NGOs. The KRG representatives abroad have been tasked to continue working with governments, parliaments, civil societies, humanitarian organizations and the media to convey our message which states that Kurdistan is proud to host this large number, but that we require more help. This is a shared responsibility and members of the international community must come forward to help us meet the needs locally and ensure a live with respect and dignity for these people.

It is a source of pride for the KRG to welcome this large number of refugees and IDPs, regardless of their ethnicity or religious background. We understand that resources are scarce and needs are huge, therefore, we have taken measures to ensure that what comes in, is well spent. The establishment of the JCC was a key step forward to ensure good coordination and follow up. Despite the economic and financial challenges, the door remains open and we are proud that we have been able to manage the situation and contain any tensions from developing between the host and guest communities.

What are the DFR's strategies and priorities to increase the exposure of Kurdistan to the global business community?
Thanks to the dedication of our people, the vigilance and sacrifices of our Peshmerga and security forces, we have been able to demonstrate to the rest of the world that Kurdistan still is an island of stability and prosperity. People are friendly, the society is welcoming and the government is supportive.

In our efforts to overcome the challenges, in cooperation with UNAMI and the G7 countries, we are focusing on good governance, transparency and diversifying our sources of economic revenue. By ensuring stability, security and openness, we are able to offer an attractive example. We are reaching out on various levels to countries, companies and institutions to encourage them to come and partner with the KRG. Especially since the humanitarian and security challenges that we are facing are the responsibility of the entire world. We want to raise the understanding that helping the Kurdistan Region economically will help us win the costly war against ISIL and help us provide the needs of IDPs and refugees.

We ask of our friends in the international community to continue working with us to encourage their companies to participate in international trade fairs and invest in Kurdistan.

> **We want to raise the understanding that helping the Kurdistan Region economically will help us win the costly war against ISIL and help us provide the needs of IDPs and refugees.**

Kurdistan currently hosts over 1.8 million refugees and IDPs. The KRG provides humanitarian assistance to the refugees and IDPs, and the KRG even made it one of the main pillars of its policy. What steps does the DFR take to create more awareness on the refugees and IDPs in the international arena?
This crisis is not the sole responsibility of one institution of the KRG. In fact, the Ministry of Interior, Ministry of Planning, as well as the Joint Crisis Coordination Center (JCC) are working together. We are trying to coordinate with the relevant KRG authorities to provide us with the information to communicate the right message to the outside world. International

About

Falah Mustafa Bakir was born in Erbil in 1964. He holds a B.A. in English Language and Literature from the University of Mosul, and an M.A. in Development Studies from the University of Bath in the UK. He also completed the executive program for senior managers in government at Harvard University's Kennedy School of Government.

China in Kurdistan



Tan Banglin —
Chinese Consul General in the Kurdistan Region

Chinese Consul General Tan Banglin discusses bilateral ties between China and the Kurdistan Region, and China's humanitarian assistance there.

How would you assess ongoing collaborative endeavors between the Consulate General of the People's Republic of China and the ministries and departments of the KRG?
Friendly relations have long existed between China and all of Iraq, including the Kurdistan Region of Iraq. Ever since the opening of the Consulate General of China in Erbil at the end of December 2014, we have maintained close working contacts and cooperation with various ministries and departments of the KRG. All these ministries and departments have treated us with hospitality, and have offered their full support to our work here. We also have close and effective relations with the KRG on promoting cooperation between our citizens in various fields, including pragmatic cooperation, and exchanges in areas such as culture and education. Through our joint efforts, relations between China and the Kurdistan Region are developing steadily.
It has been only a short time since we established the Consulate General here, but we have deeply felt the strong willingness on the part on the Kurdistan Region to develop cooperation in various fields. We'll continue our efforts to promote reciprocal visits and collaborative efforts, encouraging Chinese companies with relevant competences to develop economic and trade relations with Kurdish partners. We'll maintain our contacts and work with the ministries and departments of the KRG to explore and push forward our relations to provide benefits to both our peoples.

Could you please give us a brief overview of the activities of the Consulate General of the People's Republic of China in the Kurdistan Region in 2015?
In 2015, we focused on two aspects. Firstly, we are continuing with our efforts to build the Consulate General to its full capacity. We are pressing forward with the construction of the consular section, so as to provide visa services as quickly as possible. Secondly, we are working with various ministries and departments of the KRG to promote the development of our relations in various areas.

We offer our highest praise to the KRG for its unremitting efforts in its fight against terrorism, and the sheltering of refugees and IDPs.

With respect to economic cooperation, we support companies such as Huawei, Sinoma-Suzhou, and CMEC with their investments in the Kurdistan Region. Sinoma-Suzhou has invested $13.4 million in the Kurdistan Region for the construction of a steel structure factory, which is now in full operation. A cement factory construction project, led by CMEC, is in full swing. With the full support of the Consulate General of China, many Chinese companies have come to the Kurdistan Region seeking investment and cooperation opportunities, or to participate in trade fairs over the past year.

As for culture exchange, in 2015, we facilitated the visit of the "Happy Spring Festival" art troupe to the Kurdistan Region. The art troupe visited the Kurdistan Region at the beginning of 2016, and held two successful performances in Erbil and in Sulaimaniyah, marking a good start for cultural exchanges between China and the Kurdistan Region.

The Consulate General of China in Erbil is also coordinating with the relevant departments of the KRG to provide personnel training and capacity building to enhance cooperation.



With respect to cooperation in the field of education, we are currently holding discussions with various departments of the KRG about the possibility of cooperating in the areas of high education and vocational education, and to explore the feasibility of a plan to open a Confucius Institute or a Confucius classroom in the region. We'll continue within our efforts to offer humanitarian assistance by various means to the Kurdistan Region. It is our firm belief that with our joint efforts, cooperation in all areas between China and the Kurdistan Region will develop further this year.

How do you assess the KRG's humanitarian and military response in the face of challenges facing the region?
The Kurdistan Region is facing multiple difficulties currently. We offer our highest praise to the KRG for its unremitting efforts in its fight against terrorism, and the sheltering of refugees and IDPs. We note that the KRG is taking a series of steps to deal with these difficulties, and believe that with the concerted efforts of all the people of Kurdistan and with support from the international community, the Kurdistan people will overcome the difficulties and challenges, and achieve final victory in the war against terrorism.

How is the government of China helping the KRG to overcome its security, humanitarian and financial challenges?
China opposes all forms of terrorism and supports international counter-terrorism efforts, hoping to promote international cooperation against terrorism under the auspices of the UN. This is a long-running practice in China's foreign policy. We do not participate in state groups of a military nature, but this doesn't mean that China will not play its role in fighting terrorism internationally. China participates in international counter-terrorism cooperation in its own way. We have been helping Iraq and other frontline states with counter-terrorism capacity building, and working with some countries to exchange intelligence on counter-terrorism and to cut the channels of financial resources and the movements of terrorists. China will continue participating in international counter-terrorism efforts in its own way and will continue to provide its due contributions.

In November 2014, we provided humanitarian goods, worth about 30 million yuan, to the Kurdistan Region. To the best of my knowledge, a new batch of humanitarian goods for Iraq (including the Kurdistan Region) is currently being prepared. At the same time, we provided small donations to an orphanage and a fund for children in refugee or IDP camps. Although China still has 200 million people living under the poverty line, we sympathize with Iraqi and Syrian IDPs and refugees. We'll continue to provide humanitarian help within our capacity.

We understand the financial difficulties faced by the KRG, and note that the KRG is negotiating with the Iraqi government to solve these problems and has initiated measures such as reforms to deal with the challenges. China is willing to share its experiences with regard to implementing reform, and provides help in the form of training personnel and enhancing administrative capacity building. We will keep on supporting and encouraging more Chinese companies to engage in economic cooperation and conduct trade in the Kurdistan Region, and promote pragmatic cooperation in the areas of finance, industry and building infrastructure, in order to contribute to the economic and social development of the Kurdistan region.

Cooperation On All Fronts



Bayan Sami Rahman —
KRG High Representative to the USA

IIG talks to Bayan Sami Rahman on the KRG-U.S. relations and her Representation's top priorities to further strengthen the bilateral ties.

How would you define the current political relations between Erbil and Washington D.C.?
There is a very positive perception of Kurdistan among Americans today, among the Administration, Congress and the public. The fact that the Peshmerga are so effective and courageous against ISIS and that Kurdistan has embraced vast numbers of displaced people, especially the minorities, has helped to foster a great deal of respect for the people and leadership of Kurdistan. There are many high-level political meetings and visits on both sides, which help to keep this momentum going.

What are your Representation's top priorities to further strengthen and elevate the bilateral ties?
Our immediate goals are to continue to strengthen the partnership with the United States in the fields of security and humanitarian assistance. We are grateful to the United States for the leadership it has shown in the fight against ISIS and for providing humanitarian aid. We need that security and humanitarian assistance to continue and to grow. Kurdistan has seen a 30 percent increase in its population due to the arrival of refugees and displaced people, notably Christians, Yezidis, and other minorities. Both the displaced and host communities need help. In the longer term, our aim is to broaden the commercial and cultural ties between Kurdistan and the United States and to create a better understanding among Americans of what Kurdistan is and what our aspirations are.

Are there any business-related advocacy issues you would like to take up with Washington D.C.? Where do you believe the US business involvement in the Kurdistan Region will head in the future?
There are some business related issues and wider issues affecting Kurdistan's economy. The economy faced several shocks in 2014 which we are trying to recover from. The United States and other countries could help the KRG by providing technical assistance as we try to revive the economy. Kurdistan is still lacking in a vibrant banking and insurance sector which is another area that needs support and expertise. There is interest in doing business in Kurdistan. We have had meetings and discussions with the US Chamber of Commerce and the US-Kurdistan Business Council as well as with individual investors and companies. Already there are American companies working in Kurdistan, for example, in energy and hospitality. There are many other sectors that American businesses could consider, including healthcare, agriculture and education.

Have you noticed any misconception among the US business community regarding the security situation in the Kurdistan Region? What is your key message to the US business community?
It's generally understood that Kurdistan is stable and that the Peshmerga, with the support of US and Coalition airstrikes, are keeping ISIS out of Kurdistani territory. But capital is coward and the way to encourage the business community to engage with Kurdistan is by providing information about our laws, regulations and business opportunities as well as putting into context news about events in Kurdistan and Iraq. It also helps to connect business people with each other by bringing Kurdish trade delegations to the United States and taking American delegations to Kurdistan.

If there is one message to the US business community it's that Kurdistan remains open for business and a warm welcome awaits our American friends.

About

Bayan Sami Abdul Rahman was appointed to her current post in 2014. Prior to her appointment, she was the KRG's High Representative to the UK. She was elected to the Leadership Council of the Kurdistan Democratic Party in 2010. She holds a degree in history from London University.

Kurdistan in Italy



Rezan Kader —
KRG Representative in Italy

IIG talks to Rezan Kader on the KRG - Italy bilateral ties.

How would you characterize the current bilateral ties between Italy and the Kurdistan Region?
The exponential growth of the economy of the Kurdistan Region has attracted more and more Italian entrepreneurs. Italy is among the Kurdistan's biggest trading partners, and many Italian companies are successfully operating in the fields of engineering, infrastructure, and tourism. Both the Italian government and Italian entrepreneurs have shown a keen interest in investing in the Kurdistan Region.

Several memorandums of understanding were signed with the Italian regions, such as the Veneto Region and the Region of Lombardy, with the aim of facilitating and strengthening bilateral relations on various levels, and we hope to soon sign other MOUs with other Italian Regions. In addition to the agreements between the regions, MOUs were also signed between several Italian and Kurdish universities introducing cultural exchanges, and in order to help new generations of Kurdish graduates develop their skills with precious Italian know-how.

Furthermore, we aim to organize an economic forum in Kurdistan in order to introduce Italian businessmen to local partners and ongoing projects. In turn, in collaboration with ANCE, the National Association of Builders, we will organize an Italy- Kurdistan economic forum in Erbil.

I also would like to underline that the KRG Representation in Italy provides full assistance to Italian entrepreneurs who request information about investment opportunities in Kurdistan and if they decide to register their companies at the local chambers of commerce, we facilitate the authentication of documents of the company by sending them to the relevant Kurdish authorities. Successful examples include the FG Tecnopolo who designed the metro network in the city of Erbil, Duhok and Suleimania, Studio Galli, Impregilo, and Ansaldo, operating mainly in the field of infrastructure.

Clearly, we recognize the presence of around 2 million refugees and IDPs in the Kurdistan Region and that the KRG's valiant Peshmerga forces are fully engaged in the management of the humanitarian crisis and in the fight against ISIS. However, I can say with certainty that despite the current difficulties that the Kurdistan Region is experiencing due to ISIS' terrorism, Italian business will always be a source of interest for the Kurdish government thanks to its high-level of know-how. I therefore believe that bilateral relations between Italy and the Kurdistan Region should be intensified in all fields, since Italy has always been and continues to be a good friend and a strong supporter of the people of Kurdistan.

Have you noticed any misconceptions among members of the Italian business community with regard to the security situation in the Kurdistan Region?
Frankly, I have not noticed any misunderstandings among members of the Italian business community with respect to the security situation in the Kurdistan Region. Kurdistan has always been considered an oasis of peace in the Middle East, as well as being the gateway to the rest of Iraq. We have always preserved the security of our region. For this reason, and due to the significant investment opportunities offered by the Kurdistan Region, Italian investments have grown steadily in the Kurdistan Region. We have strong ties with Italy and would like to diversify our relationship at all levels.

About

Rezan Kader has been the KRG's High Representative to Italy since the Representation's establishment in October 2009. Dr. Kader holds a medical degree from an Italian faculty of medicine, and has, for several years, been heavily involved in women's issues in the Kurdistan Region.

Partner Of Choice



Karwan Jamal Tahir —
KRG High Representative to the UK

IIG talks to Karwan Jamal Tahir, the KRG High Representative to the UK, on the KRG-U.K. relations, and his Representation's top priorities & goals to further strengthen and elevate the bilateral ties.

About

Karwan Jamal Tahir was appointed to his current post in June 2015. Prior to his appointment, he served as the Deputy Minister for the Department of Foreign Relations between 2009-2015. He holds a degree in Computer Science and Management from the University of Manchester Science and Technology.

How would you define the current political relations between Erbil and London?
The Kurdistan Region aims to further strengthen its institutions and develop the process of democracy, diplomacy and the economy as well as those values that bring Kurdistan closer to the democratic and civilized countries. The bilateral ties between London and the KRG have deepened considerably on many levels. The UK's assistance to Kurdistan paved the road for further relations especially in the areas of economy and investment, education and science. Our relations are based on mutual benefit and have vastly improved, not least now we are allies in the fight against terrorism and that our relationship also includes military cooperation. We are very pleased that the UK is committed to supporting the KRG politically and militarily in order to protect its very existence.

What are your Representation's top priorities & goals to further strengthen and elevate the bilateral ties?
We have tailored in parallel current and long-standing objectives in our relations with the UK, having realized the challenges that the Kurdistan Region faces. The priority of the Representation at the moment is to obtain more support and assistance politically and militarily as the Peshmerga forces need more military equipment and heavy weapons to sustain the fight with ISIS. On humanitarian issues, we need more support too to cope with the huge scale of the needs of the refugees and IDPs.

In the longer run, we certainly need to increase lobbying in several areas in order to influence the British government and to encourage progress in the many areas outlined in the recent report of the British Parliament's Foreign Affairs Select Committee published in January 2015. We are seeking progress in building stronger government-to-government links, technical support and assistance for KRG ministries in areas that most need reform. The KRG's Representation to the UK is constantly seeking to identify new areas to build more bridges, more mutual interests, and to encourage greater engagement with the Kurdistan Government and its institutions. In addition and despite all the disasters that our Region has been hit by, we have not forgotten about our economy which is the key to promoting prosperity, pluralism and peace as a response to a cult of death mass murder and genocide. We are also expanding our relations with the business community that has stood by us to continue promoting the economic opportunities between Kurdistan and the UK. This has included organising market briefings, conferences and leading trade missions to Kurdistan.

Cultural relations are another area that we are focusing on and aim to involve the Kurdistani diaspora and its young talented peoples as we consider them a significant asset to the Kurdistan Region and "soft power" in furthering the bilateral ties.

Are there any business-related advocacy issues you would like to take up with London? Where do you believe British business involvement in the Kurdistan Region will head in the future?
There are over 120 British companies registered and operating in Kurdistan. The numbers are actually much higher if you include British companies that have contracts with other foreign and local companies carrying out investment projects in Kurdistan. Over many years British companies have been heavily involved in the sectors of training, higher education, infrastructure and design, oil and gas. For instance: many UK universities have taken large numbers of students from the KRG's Human Capacity Development scholarship scheme, with 1,700 of ours students studying for their masters and doctorates. This has led to "university to university" partnerships in different research fields. Last year, for example, Leicester University partnered with Soran University in Kurdistan by establishing an International Centre for Natural Resources Research. Furthermore, Reading University has been involved in the excavation of archaeological sites in the governorate of Slemani for many years. A multi-million dollar contract was recently awarded to Biwater for a water and sanitation project. The presence of British oil companies in our thriving oil and gas sector is very evident with the presence, for example, of companies such as Genel Energy and Gulf Keystone.

The 'UK is our partner of choice', and we envisage an increase in the number of British companies across all sectors of Kurdistan's economy, with agriculture, industry and tourism being priorities in the KRG's economic development plan, Kurdistan 2020 vision. The scope of opportunities for British businesses is immense and we hope they will be able to take advantage of it.

Have you noticed any misconception among the UK business community regarding the security situation in the Kurdistan Region? What is your key message to the UK business community?
Security is the top priority of the KRG so the Kurdistan Region remains the safest and most prosperous throughout Iraq and the region. It is already a safe-haven for 1.8 million Syrian refuges and internally displaced people from the rest of Iraq. Our Peshmerga forces have heroically defended and maintained the security of Kurdistan, fighting the most brutal terrorist organization, ISIS, on behalf of the world. We recognize there are misconceptions in the UK business community and elsewhere about security, but as we have seen throughout the years that this is changing as more British companies hear about the opportunities the market represents. My message is "Kurdistan is safe with a prosperous future". There are over 2,500 foreign companies, including companies such as Lafarge, Exxon, Chevron, and Gazprom operating in Kurdistan. Billions of dollars in private investment has been made throughout Kurdistan since 2006. We welcome British expertise in helping us to continue building our infrastructure, healthcare, education, tourism, agriculture, industries and oil and gas sector. As there is a saying that "seeing is believing" so please come and see for yourself.

My message is "Kurdistan is safe with a prosperous future". There are over 2,500 foreign companies, including companies such as Lafarge, Exxon, Chevron, and Gazprom operating in Kurdistan. Billions of dollars in private investment has been made throughout Kurdistan since 2006. We welcome British expertise in helping us to continue building our infrastructure, healthcare, education, tourism, agriculture, industries and oil and gas sector.

Kurdistan in Australia



Haval Syan —
KRG Representative in Australia

IIG talks to Haval Syan, the KRG Representative in Commonwealth of Australia, on the KRG-Australia bilateral ties.

Could you provide our readers with a brief background of your Representation's history?
The Representation was established in Sydney in 2009. We work to build a strong relationship between Australia and the Kurdistan Region, and also make businesses and entrepreneurs who wish to visit Kurdistan aware of its development and commercial opportunities. The Representation also serves those from Kurdistan who are now living in Australia, and supports the needs of Kurdistani-Australian citizens who want to return to live in Kurdistan.

What does the Kurdistan Region offer to Australian business community?
Kurdistan is home to a thriving economy and a young, rapidly growing population. It is a region that is both rich in natural resources and governed by an investment law that benefits foreign investors. We are home to international banks and international airlines run regular flights that connect us to the world.

The relationship between Australia and Kurdistan is, and has for a long time been, positive. This relationship bolsters our efforts to become a modern state, with commercial and economic growth to support the ever-growing population.

There are several Australian companies working in the Region, some in energy and construction. There is plenty of room for more, particularly within industries such as agriculture, where Australia's experience and the similarities of climate make Kurdistan an ideal investment.

We have yet to tap into the full potential of our mineral resources and our logistics, hospitality and tourism sectors. Australia's expertise and experience in mining technology make it a natural partner for the full exploitation of Kurdistan's natural resources.

What areas does your mission prioritize in terms of promoting Kurdistan in Australia?
For centuries, the Kurdistan Region was known as the 'bread basket' of the Middle East. However, with the destruction of thousands of villages during the reign of Saddam Hussein, the Region's agricultural industry suffered immensely. It is only now slowly recovering; much expertise has been lost. Australia is renowned for its agricultural industry and modern farming methods, and as such we encourage Australian firms to invest in restoring Kurdistan's agricultural potential.

Higher education is a top priority in Kurdistan, with a growing young population eager to gain knowledge and new skills. Australia has many internationally competitive universities, and investment in educational capacity building in the KRG will help build long-term relationships with universities in Australia and the KRG. These young people will be the future leaders of business and government in the KRG, and strengthened ties can only benefit the long-term relationship between Australia and Kurdistan. We would like to see a larger number of students from the Region discover the benefits of higher education in Australia. We hope to bring their knowledge and skills back to Kurdistan.

What is your key message to the Australian business community?
We encourage the Australian business community to take full advantage of the current situation in Kurdistan. The KRG provides a strong base from which to do business in the rest of Iraq while the current security situation is being resolved. We will be pleased to provide Australian companies with any information they like, and will provide assistance for their visit to the Kurdistan Region.

There are several Australian companies working in the Kurdistan Region, some in energy and construction. There is plenty of room for more where Australia's experience make Kurdistan an ideal investment.

Insight

Notes from Westminster

GARY KENT • DIRECTOR, ALL PARTY PARLIAMENTARY GROUP



British foreign policy has been relatively passive for over a year to avoid needless controversy before the election and as parliament and government have settled in. Foreign policy barely featured in the election apart from the Opposition Leader citing his veto of British action against Syrian President Assad in August 2013 as an example of leadership. Yet Labour suffered one of its most calamitous defeats and the Conservatives achieved their first solo victory for 23 years but with a slim majority. Key Conservative foreign policy players remained in office, including Foreign Secretary Philip Hammond and Middle East Minister Tobias Ellwood.

The government's defeat on Syria at the hands of Conservative and Labour MPs reflected deep public suspicion about military engagement in the Middle East and anything that smacks of the intervention of 2003. The decision to undertake airstrikes against Daesh last summer was not unpopular because it was sanctioned by the Iraqi and Kurdistani governments. Joining America and others in direct action in Syria is seen as a logical next step by the government.

Prime Minister Cameron is seeking to change the public mood and advocate a comprehensive strategy against Daesh which he says is 'a challenge for a generation.' British security officials also deem it highly likely that Daesh will undertake atrocities in Britain. Cameron seeks a genuine consensus in Parliament for joining airstrikes in Syria. That would not be endorsed by the new Labour Leader Jeremy Corbyn and would require rebellion by Labour MPs.

This may be helped by the strong British public anger over a photo of lifeless Alan Kurdi on a Turkish beach and the exodus of many thousands of refugees from Syria to European countries. Cameron announced that Britain will take 20,000 Syrian refugees over nearly five years but such action is subsidiary to helping those who cannot leave the region and the need to end the Syrian war and defeat Daesh.

This should include increased support for the KRG whose population has increased by a third with Syrian refugees and internally displaced people. The new KRG High Representative in the UK, Karwan Jamal Tahir, has suggested that western military action may prove necessary in Iraq and campaigners are seeking no-fly zones and safe havens inside Syria to stop Assad's barrel bombs.

Influential and cross-party parliamentary committees on defence and on foreign affairs, the latter including the British-Kurdish Conservative MP Nadhim Zahawi, will also examine security and foreign policy options and make recommendations for UK policy on combatting Daesh.

The All-Party Parliamentary Group, now chaired by Conservative MP Jason McCartney, who himself served in Zakho as part of the no-fly zone over Kurdistan in the 1990s, is becoming more active. It will send a fact-finding parliamentary delegation to Kurdistan in the Autumn to examine the new security, political and humanitarian landscape. One of its priorities is reviewing the operation of the visa system for KRG citizens following an official revelation that 55% of applications to visit Britain were refused in the year to March 2015 and the fear that a high refusal rate will undermine British links with the Kurdistan Region.

How British foreign policy responds to such inquiries depends on the ability of the government to make a compelling case to a sceptical public about the mix of economic, political and military action needed to help Kurdistan and others, and begin to roll back Daesh. The Kurds are now much more respected by UK opinion-formers and should maintain their influence on this foreign policy debate as it moves from a passive to a more active phase.

What's on the Horizon



Professor Dlawer Ala'Aldeen —
President, Middle East Research Institute (MERI)

IIG talks to Prof. Dlawer Ala'Aldeen about Erbil-Baghdad relations, the MERI Forum, and Institutes's future projects.

The Kurdistan Region has undergone impressive economic developments between 2009-2014. However, the Region has faced considerable economic challenges since early 2015. At the same time, new opportunities are rising which have the potential to become decisive for the necessary reforms. Which immediate reforms are needed to respond these challenges?
Kurdistan Region's economy is that of a typical rentier state, with almost total dependence on oil revenue. The KRG needs to commit itself to a range of radical structural reforms and adopt a credible overall economic vision, a long term strategy and a serious plan of implementation. Several initiatives must be adopted in parallel in many key areas to regain the confidence of the business community. These include obvious ones, such as re-balancing the budget deficit, through increasing revenues and maximizing efficiency, and revitalizing the dormant sectors such as the agriculture, tourism, manufacturing and banking.

In addition, better legislation and policies are needed to integrate the entire economy, and provide long-term security to international investors. The KRG ministries must be subject to scrutiny and performance assessments as very few are guided by clear visions or strategies and fewer still are working to their maximum potential. Inaction is not an option and the consequences can be dire.

MERI held its second inaugural Forum in November 2015 with the participation of leading players from Erbil and Baghdad. Could any workable solution be reached between the both sides in the short term?
Relations between Baghdad and Erbil are likely to be more stable than the past years. They have too many crises in common, including (among many) the war on ISIS, a financial crisis, and dissatisfied public. The only way of managing these crises is by reducing tension between the both governments. Fortunately, there are clear efforts from political parties on both sides to mend fences and normalize relations.

That said, I do not expect any breakthroughs in relations. They have lost trust and confidence in each other, and Baghdad's political system is increasingly dysfunctional. Except for some disputed oil and land issues, Baghdad has accepted the KRG's de facto economic, political and military independence and the KRG parties will not settle for anything less than what they have already earned. Therefore, we may see that both sides remain unhappy but tolerate each other.

MERI conducted a research project on Kirkuk that remains one of the unsolvable problems between Erbil and Baghdad. Could you please highlight some key findings of the project?
We found that the political stalemate has become too chronic to yield miracles, and, if left alone the communities' leaders are too divided to negotiate win-win solutions. Meanwhile, Kirkuk will remain depressed, polarized and ready to ignite further conflicts.

In our policy report, we took a bottom-up approach and considered the Kirkuk communities as the key actors in proposed solutions. Following extensive interviews and focus group debates, we highlighted the issues and possible solutions. We designed a roadmap and made specific policy recommendations to local, national and international stakeholders. We presented the report to Kirkuk's leaders at the Provincial Council and urged them to seize the initiative, own its leadership and lobby for a lasting solution.

Kurdistan hosts over 2 million refugees and IDPs. The influx of refugees & IDPs are imposing substantial economic and social costs. How do refugees & IDPs affect the social, security and economic environment in the Kurdistan Region?
Population displacements have become fact of life in our neighbourhood, and there is no end in sight. The people of Kurdistan demonstrated their generosity and tolerance, despite a long history of tension between them and the Arab Sunni communities where the vast majority of the IDPs come from.

The presence of refugees and IDPs has clearly added to financial and security burden, at a time when the KRI itself has numerous existing crises. However, the refugees can be a source of growth and long-term development in the Kurdistan Region. So far, the KRG has concentrated mainly on the urgent and short-term needs of these displaced populations, and due to its limited financial capacity it has relied mainly on international help to accommodate these needs. However, it is now time to think about the long-term future of these displaced populations and adopt new policies to promote economic resilience and social cohesion, because the signs indicate that many are here to stay.

What will be the key projects & areas of focus of MERI in 2016?
The key projects will include acting as catalysts for economic reform, institutionalisation of Peshmerga and enhancing relations between political parties within the KRG, and between Erbil, Baghdad, Tehran and Ankara. We will continue our studies on displaced populations and promoting human rights, women's rights, rule-of-law and democracy in Iraq. MERI has recently been awarded several grants by the European Commission and United Nations to study the fast-changing political and socio-economic dynamics and their future implications on the landscape in the Middle East.



MERI has recently been awarded several grants by the European Commission and United Nations to study the fast-changing political and socio-economic dynamics and their future implications on the landscape in the Middle East.

About

Professor Dlawer Ala'Aldeen is the Founding President of the MERI, former Minister of Higher Education and Scientific Research in the KRG (2009-2012), and Professor of Medicine in Nottingham University, UK.

Focus

MERI Forum 2015: Sharing Visions for the Future of the Middle East

By bringing together leading figures in domestic and international politics, MERI aims to provide a platform for constructive dialogue to those committed to overcoming the crises currently facing the region.

The Middle East has recently gone through unprecedented turmoil that is destined to change its political and socioeconomic landscape. The impact of these changes will continue to affect the Middle East for years to come. Divergence and fragmentation of nations and communities throughout this region have reached critical levels, and provided fertile grounds for extremism and terrorism to thrive.

This year's three day MERI Forum focused on Sharing Visions for the Future of the Middle East. It brought together senior ranking national and international policymakers, respected academics, and opinion-makers who engaged in spirited debate on wide-ranging topics from the Kirkuk conundrum, combating ISIS, the displacement crisis, the Iran nuclear deal and its implications for the regional politics, the political crisis in Kurdistan, Erbil-Baghdad relations and the challenges of keeping Iraq united. As in 2014, the second annual forum succeeded in generating a lively debate by prominent figures with the live participation of the audience as well as extensive national and international media coverage.

By bringing together leading figures in domestic and international politics, MERI aims to provide a platform for constructive dialogue to those committed to overcoming the crises currently facing the region – and will continue to do so in the future.











THE REVIEW: **BUSINESS**

Diversification Needed

The KRG aims to stepping up structural reforms aimed at further developing the private sector.



The Kurdistan Region witnessed remarkable economic growth between 2006-2014. The oil and gas industry and regional stability were the two key driving forces of this rapid economic development. However, Kurdistan's solid economic growth and skyrocketing investment slowed downed in 2015 due to regional instability and the plunge in oil revenues.

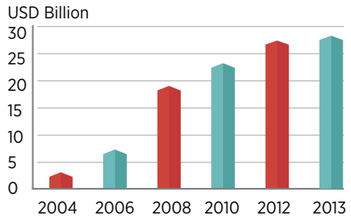
The current prices hurt all the oil producing countries that are solely rely on oil revenues. The Kurdistan Region of Iraq is one of them. Since there is little hope that oil prices will rebound 2014 level any time soon, the time has come for Kurdistan to focus on economic diversification in order to not to divert from its path of growth.

Reforms Required

The last year has been a time of unprecedented challenges for the economy of the Kurdistan Region. The economic growth figures were negatively impacted by the regional developments.

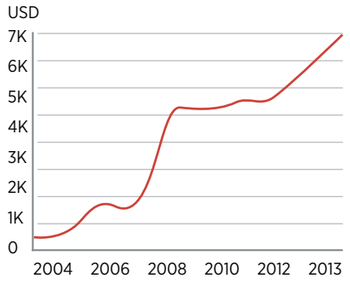
Looking at past GDP data, the Kurdistan Region's GDP grew at a rate of 12% in 2012. In 2013, GDP growth decreased slightly but remained a robust 8%. Figures from 2013, the most recent numbers available, estimate the Kurdistan Region's total GDP to be in the area of $26.5 billion.

GDP Growth



Another testament to Kurdistan's upward economic trajectory is the progress that has been made in raising standards of living. Annual per capita income in the Kurdistan Region was around $7,000 in 2013, while in 2002 it stood at just $800.

GDP per Capita Growth



A high unemployment rate is one key concern. In 2015, the unemployment rate in the Kurdistan Region stood around 11%, having increased from 7% at the end of 2013. Specifically, a lack of available credit, sanctions levied by Baghdad against the KRG, and a shortage of jobs that match the skill-set of new entrants into the workforce have been identified as factors hindering reductions in unemployment levels. In that regard, the diversification of the economy may help to get more people into jobs in the long term.

The KRG announced a reform policy to set up a modern economy and financial stability in January 2016. The main pillars of this reform policy are reducing the number of government employees, eliminating corruption, cutting of government spending, and increasing non-oil revenues.

The strategy also calls for diversification of the Region's market, a streamlined investment process, and a drive towards exports in order to make the regional economy more competitive and raise standards of living. The strategy targets include raising tourism, agriculture, and industry investment as well as developing the Region's mining sector.

Public sector employment remains one of the largest sources of employment for the people of Kurdistan. Since 2006, public employment has been a vehicle for the government to address the lack of employment opportunities for locals. Around two-third of Kurdistanis are employed by the public sector. Indeed, much of Kurdistan's budget is geared toward paying wages and servicing debt, while development and infrastructure spending is sidelined. With this reform policy, the KRG is lowering the numbers of its public sector employees.

The KRG plans to capitalize on a young population (nearly 50% of the Kurdistan Region's population is under the age of 20) and build an economy characterized by innovation and equal opportunity for the people of Kurdistan. To do so, the government focuses on legal reforms, skills-building programs, the development of an unemployment insurance system to make employment in the private sector seem more secure, and initiatives aimed at helping women participate and get ahead in the Kurdistan Region's labor market. The KRG has set its sights on increasing private sector employment.

In order to diversify its revenues, the government has signaled its desire to improve agriculture and industry sectors. The both sectors could become top categories in terms of revenue generation. In 2014, that shift in emphasis has borne fruit. Industrial investment licenses have finally surpassed those in the housing sector and represent 184 projects valued at a total of $12.8 billion according to data from the KRG's Ministry of Planning. That number is approaching but still short of the $13.6 billion in capital investments that have gone towards the housing sector in Kurdistan since 2006. The Ministry's figures reveal that industry and housing together represent nearly two-thirds of capital investments and half of all capital investment licenses in the Kurdistan Region to date.

The strategy also calls for diversification of the Region's market, a streamlined investment process, and a drive towards exports in order to make the regional economy more competitive and raise standards of living.

A more efficient tax regime will be crucial in getting government revenues back on track, yet a successful battle with inflation, a successful FDI haul, and overall economic growth will keep investor interest piqued in the Kurdistan Region.

THE INVESTMENT LAW

The KRG's 2006 Investment Law, which has had great success in both bringing foreign investors to the Region, but also in spurring local investment and entrepreneurialism. Since the law's inception in 2006, the Region has seen 693 licensed projects, totaling over $40 billion of foreign and domestic investment, and countless new private sector jobs.

Investment

Kurdistan has set itself apart in Iraq as an investment destination between 2006-2014. In the past few years, annual capital investment in licensed projects in the Kurdistan Region grew by nearly 400%, rising from $3.1 billion in 2011 to $12.4 billion over the course of 2013. There are currently around 80 planned or ongoing licensed investment projects in the Kurdistan Region. The total value of licensed investments in Kurdistan over the 2006-2014 period was $41.9 billion. Despite growing investor interest and an expanding portfolio of projects, recent regional turmoil has touched the Kurdistan Region and shaken investor sentiment.

Trade Ties

There are currently over 2,500 foreign companies operating in the Kurdistan Region. Turkish companies dominate the ranks of international firms and number approximately 1,000. Lebanese, Emirati, British, American, and German firms are also major players in the region, with around 100 companies from each country represented.

Turkey also dominates in terms of the volume of trade it conducts with the Kurdistan Region. Nearly 80% of all goods sold in Kurdistan are of Turkish origin. Turkey plays a vital role in the Region's oil and gas industry, providing a conduit to move Kurdish oil & gas to international markets.

Iran is also a very important trading partner for the Kurdistan Region. Bilateral trade between the two is estimated to have exceeded $4 billion in 2014. Last year saw the signing of an agreement to expand trade ties and joint investment between Iran and the Kurdistan Region in areas of electricity, infrastructure, tourism, and energy.

The latest data issued by the Department of Import and Export of the Ministry show that 3,570 licenses worth $4.5 billion were approved by the Ministry of Trade and Industry in 2015. For the first quarter of 2016, 1,276 licenses worth $467 million were approved.

Major Trade Partners & FDI Countries

The KRG's trade strategy aims to create economic growth and jobs in Kurdistan, and strengthen ties with its important trading partners.



Budgetary Pressures

Disputes over budget have been at the center of developments of the past two years. During 2014, disputes over oil revenue between the KRG and the central government led Baghdad to suspend payment of the entirety of the Kurdistan Region's share of Iraq's national budget. This has been especially problematic since over 40 per cent of the Region's population is employed in the public sector.

In December 2014, Baghdad and Erbil signed a deal under which Kurdistan would transfer some average 550,000 bpd to Iraqi state oil firm SOMO over the course of 2015 while receiving 17 percent of Iraqi budget or over $1.1 billion a month. The deal failed almost immediately. Baghdad said Erbil was not transferring the agreed volumes and sent only $200 million in January 2015 instead of $1.1 billion. Between January-June 2015, Baghdad transferred around $2 billion in total to Erbil – less than 40 per cent of what the KRG had expected. The KRG has falling behind with salary payments to state employees including the army. The KRG salaries constitute some $750 million - half of this to security and Peshmerga forces. Independent sales have been allowing the KRG to generate some $800 million-$850 million a month from July 2015 to enable it to pay salaries and ongoing costs to oil companies. However, the crash in oil prices meant the gap in finances was much more difficult to close.

Banking

The KRG continues to strive for a modern banking sector to complement Kurdistan's growing economy.

The Kurdistan Region's economy remains largely cash based and its banking sector is relatively underdeveloped compared to other markets in the region. In addition to three large state-owned banks, there are around twenty homegrown private banks and over ten foreign private banks operating in the Kurdistan Region. The majority of private international banks working in the Kurdistan are from Lebanon and Turkey.

The Kurdistan Region is also home to a burgeoning Islamic banking industry. There are currently six local Islamic banks in operation, along with foreign firms such as Abu Dhabi Islamic Bank and Al Baraka. One of the most successful local Islamic banks is Kurdistan International Bank, which is the only Islamic financial institution among Iraq's five largest banks. The industry is awaiting a regulatory structure from Baghdad authorities that is specifically designed for Islamic banking.

The Kurdistan Region lacks the regulatory and physical infrastructure for industries that could support a healthy banking sector. The Region's insurance sector remains very limited, mortgages are virtually non-existent, and a web of confusing regulations and out-of-date technology contribute to inefficiency.

The task of creating a truly modern banking sector will require substantial reform in Baghdad. The banking sector industry falls entirely under the purview of the Central Bank of Iraq (CBI) in Baghdad, which has the sole authority to regulate the banking sector and issue licenses for banks to operate in Iraq.

Iraqi authorities have acknowledged the need for reform, yet little in the way of reform legislation has actually been passed. Political turmoil surrounding the rise of ISIL has only contributed to doubts about the Iraqi government's ability to implement changes in the near-term that will foster a more competitive, modern, and capable banking sector.

The KRG continues to strive for a modern banking sector to complement Kurdistan's growing economy.

BANKS IN THE KURDISTAN REGION

Private Banks in the Region

- Ashur International Bank for Investment
- Bank of Baghdad
- Bank of Sulaimanyia
- Credit Bank of Iraq
- Dar Es Salaam Investment Bank
- Economy Bank for Investment and Finance
- Emerald Bank
- Erbil Bank for Investment and Finance
- Gulf Commercial Bank
- Iraqi Middle East Investment Bank
- Investment Bank of Iraq
- Mansour Bank for Investment
- Mosul Bank for Development and Investment
- National Bank of Iraq
- North Bank
- Sumer Commercial Bank
- Union Bank of Iraq
- United Bank for Investment
- Warka Bank for Investment and Finance

Islamic Banks in the Region

- Al-Baraka Bank
- Al Bilad Islamic Bank for Investment and Finance
- Cihan Bank for Islamic Investment and Finance
- Dijlah and Furat Bank for Development and Investment
- International Development Bank for Investment and Islamic Finance
- Iraqi Islamic Bank for Investment and Development
- Kurdistan International Bank for Investment and Development

State Banks in the Region

- Rasheed Bank
- Rafidain Bank
- Trade Bank of Iraq

Foreign Banks in the Region

Bank name	Origin
BankMed BBAC Byblos Bank Credit Libanias IBL Bank Fransabank Blom Bank	Lebanon
Al-Baraka Bank Is Bank Vakıfbank Ziraat Bank	Turkey
Standard Chartered	United Kingdom

Boosting Trade



Fathi Al-Mudaris —
Advisor, Ministry of Trade & Industry

IIG talks to Fathi Al-Mudaris on the trade and investment landscape in the Kurdistan Region.

How would you characterize the current investment landscape in Kurdistan?
The KRG has set up a favorable legal framework for foreign investment by adopting a new Investment Law in 2006. Thanks to this friendly investment law, the Kurdistan Region attracted over $40 billion of investment between 2006 and 2014. Our trade ties with our neighbors also improved significantly in the same period. However, the budgetary disagreements between Erbil and Baghdad, the plunge in oil prices, and the war against ISIS deeply affected our economy in 2015.

The KRG has three key objectives: create a modern economy, diversify its revenue sources, and improve its investment landscape. In order to attain these goals, the KRG announced reform packages at the beginning of this year. The KRG is committed to boosting its private sector, and diversifying its economy. Kurdistan is a virgin market that offers numerous opportunities for foreign investors. Despite all the challenges, we believe that Kurdistan will be able to successfully overcome these challenges, and we hope to see the same growth level that Kurdistan achieved between 2006 and 14 repeated over the following years.

What are the Ministry's plans to increase the economy's attractiveness for foreign investment?
We believe that Erbil, Slemani and Duhok are prime investment destinations. Agriculture, mining, industry and tourism are the key sectors that have the greatest potential in the Kurdistan Region in the medium and long term. The Ministry of Trade and Industry in collaboration with the Kurdistan Investment Board has an attractive plan to draw new foreign investment to the Region mainly through the creation of industrial zones. The KRG has new introduced

The KRG has three key objectives: create a modern economy, diversify its revenue sources, and improve its investment landscape. In order to attain these goals, the KRG announced reform packages at the beginning of this year.

regulations to further increase foreign investment, including more support and administrative assistance. The KRG is discussing with the World Bank, through its program in Iraq, ways to improve the investment landscape in order to achieve the targets set in "KRG Vision 2020".

What areas is the Ministry prioritizing in 2016 and beyond?
Our focus is to amend existing regulations to improve the environment in Kurdistan for doing business, and to boost trade. Our Ministry has simplified procedures so as to reduce the time needed to obtain licenses and revised the forms related to the payment of taxes and fees. We are also aiming to set up industrial zones in Kurdistan that we believe it is crucially important for the economic development of the Kurdistan Region. One of the key prioritized areas is to improve our trade ties with our neighboring countries. The latest data issued by the Department of Import and Export of the Ministry show that 3,570 licenses worth $4.5 billion were approved by the Ministry of Trade and Industry in 2015. For the first quarter of 2016, 1,276 licenses worth $467 million were approved. We would like to increase this volume in the medium term.

About

Fathi Al-Mudaris graduated from Baghdad University. He holds a master's degree from Germany. He has been working as an economic relations advisor for the Ministry since 2010.

Insight

Democracy & Economic Development in the Kurdistan Region

DR. ANWAR ANAID • UNIVERSITY OF KURDISTAN-HEWLER



It would be safe to say that there exists a strong international consensus as to the benefits of democracy, meaning that talking about the negative aspects of the introduction of democratic politics to a given territory grinds somewhat against the grain of acceptable discourse. The problems faced by Kurdistan with respect to the introduction of democratic politics stem from political parties seeking immediate gain by fulfilling their constituents' short-term, material demands, at the expense of long-term development-focused planning. We see in this an example of what is, particularly for young democracies, a typical problem.

Democracy has flourished in the Kurdistan region. However, the socio-economic context of the region means that the introduction of democracy has created several obstacles for developmental policy:

- The people of the Kurdistan Region depend heavily on the regional government for their livelihood.
- Decades of wars and negligence have depleted human capital and have created an unhealthy dependency culture in the region.

Consequently, a combination of the heavy reliance of the populous on the state and political pragmatism encourages politicians to focus overly on present concerns. This leads to a short-term popular political approach to public policymaking at the expense of comprehensive long-term economic development plans.

Long-term economic development requires a serious investment in the areas of critical importance such as education, infrastructure and health. However, an estimated 70 percent of the KRG's budget is spent paying the salaries of a large number of public employees. This has diverted much-needed capital away from the key sectors.

The negative impact of populist democratic politics on the long-term economic development of the Kurdistan Region needs to be addressed. To do so, the exercising of democratic rights needs to take place within a societal context that places importance on long-term national development. The KRG needs to establish a political framework prioritizing long-term development. The KRG needs to:

- Devise a long-term developmental plan that is endorsed by all political parties, under an agreed national development strategy;
- Promote productivity, efficiency and transparency in all branches of the government based on a comprehensive developmental agenda that has the support of all political parties;
- Carefully study government intervention in the economy particularly with respect to its negative impact on the functioning of market forces and long-term socio-economic development.
- Clarify the nature and model of economic development that the KRG is pursuing and establish political and social apparatus that complement these.

The KRG's current financial crisis, which is partially due to the burden on the government's budget from the high number of public employees, has put the government under pressure to promote the private sector. A more vibrant private sector would reduce the current pressures and the need for the creation of even more public sector jobs.

In the last few years, thanks to its generous legal framework regulating investment, the KRG has, to some extent, been able to promote the private sector in the Kurdistan region. What is needed now is government policies aimed at improving the quality of education in the region. Quality education, which, crucially, provides skills that complement the developmental needs of the Kurdistan region, is required to develop a skilled labor force in the region. Better skills make new university graduates mores employable in the private sector job market, reducing pressure on the government to provide employment in the public sector.

Expanding Commercial Ties



Steve Lutes —
Executive Director, Middle East Affairs, U.S. Chamber of Commerce

IIG talks to Steve Lutes on the US Chamber's activities in the Kurdistan Region.

In terms of the US Chamber's Middle East activities, where does the Kurdistan Region and AmCham-Kurdistan fit?
For many years, we have been focused on efforts to deepen and expand the commercial relationship between the United States and the Kurdistan Region of Iraq. We know that there are opportunities for American companies across all sectors and that the Kurdistan Region very much welcomes American investment, expertise and quality products and services. Our efforts have included bringing U.S. business to the Kurdistan Region to meet with government officials and business leaders in order to see and learn about the opportunities first-hand to providing a platform to KRG officials in Washington, D.C. to educate companies and raise awareness. The new AmCham in the Kurdistan Region of Iraq plays an important role in bridging the American business community with the Kurdistan Region.

Is there any misconception among the US business community regarding the security situation in Kurdistan?
It is certainly one of the key challenges facing us. It is important to keep in mind just how large the US business community is. The US Chamber of Commerce represents over three million American companies through our federation. This is a very diverse group and some are more aware of the situation in the Middle East, and Kurdistan specifically, than others. The reality is that what many people know of the Middle East comes from television and newspapers stories that describe a region in flames and under the constant threat of ISIS. A very important responsibility of business organizations like the US Chamber and AmCham is to educate the business community on how the Kurdistan Region is distinct and that it is stable and quite different in terms of the security situation from Syria and other parts of Iraq. When people ask me about the security situation, I often reply that I feel much safer walking the streets of Erbil than I do certain parts of Washington, D.C. at night.

We know that there are opportunities for American companies across all sectors and that the Kurdistan Region very much welcomes American investment, expertise and quality products and services.

What role would you say American businesses could play in furthering the US-Kurdistan Region bilateral ties?
It really boils down to education and raising awareness. This is absolutely critical. We know that the door to the Kurdistan Region is wide open. We need to do what we can to encourage American companies to push on that open door because we know that our international competitors are.

About

Steve Lutes is executive director Middle East Affairs at the U.S. Chamber of Commerce. He is responsible for managing the U.S.-Egypt Business Council, U.S.-Iraq Business Initiative, the U.S.-GCC Business Initiative, and serves as executive director for each.

Insurance Landscape & Challenges

Randa Aractingi —
CEO, Dilnia Insurance

IIG talks to Randa Aractingi on the insurance landscape & challenges in the Kurdistan Region.

How would you characterize the insurance industry in the Kurdistan Region?
Insurance is just starting to receive interest in the KRG, as well as in Iraq. This is mostly from foreign companies who are investing in the market. These companies, who are familiar with insurance, are well aware of their needs, and often request contracts with the same benefits and covers, as they would find abroad. However, insurance and reinsurance companies are not always ready to service them. This means that many contracts are underwritten by insurance companies not located in Iraq. There will be no serious developments in this sector until Iraqi and Kurdish investors and entrepreneurs start purchasing insurance.

How will that happen?
There are many ways to help the expansion of the insurance industry. The relevant legislative authority can work to cultivate a more receptive environment. Capital requirements must be the same for all. A distinction must be made between capital and technical reserves. Obtaining a license to operate in the sector has become expensive, which is good, because it limits competition. However, measures must be implemented to help ensure that operators receive a fair return on their investment. Legislation to regulate the setting up of brokerage firms, investment in the training of potential insurers, and, of course, a level of minimum compulsory protection are required. The authorities must also protect local companies and make sure that all local risks are protected by local companies.

There was talk of the introduction of compulsory insurance. What stage is this at now?
This would be of great benefit to the KRG. Kurdistan is in a phase of reconstruction. We see brand new developments across the region: factories, malls, hotels, residences, hospitals, etc. This means that billions of dollars have been invested in the construction and manufacturing sectors. These huge sums have not yet been amortized. Any catastrophe to machinery would have immense repercussions. If money is not available for repairs, hundreds of workers would be unable to work. Compulsory insurance must start by covering these areas and ensuring worker safety.

Will this raise the cost of production?
Only marginally. Premiums are calculated against the probability of the risk in question. Insurance is all about volume. The larger the insured population and portfolio, the smaller the premium. If we want reasonable premiums, we must advocate for higher penetration in all classes of business. Today, premiums are calculated by underwriters who know that insurance is solicited only by expat managers, or when the risk is very high. When insurance becomes more universal, risk is more diversified, and so the probability of claims being made is lower and thus premium rates become lower.

Why would the government interfere?
It is a good thing when the government contributes to creating wealth and taxing it! However, on a more immediate level, as we have already said, insurance protects the workforce. Liability insurance is made to protect third parties. Access to compensation will protect all employees. Insurance protects employees from various risks; it benefits the entire community.

People from a wide range of professions work within the insurance industry. We are most familiar with the salesperson or broker who sells a policy. However, behind them are the underwriters who devise the policies, the surveyors who assess the risks, the back office that issues and produces policies, and of course, accountants and cashiers, among many others. In the case of a claim, there are claims officers, loss adjustors, legal advisors, to name but a few. The expansion of the industry will create hundreds of jobs, which will also create wealth.

Insight

Social Security Exemptions for Oil Companies Operating in the Kurdistan Region of Iraq

ALAIN M. HANNOUCHE • HANNOUCHE ASSOCIATES

COMMENT
Although the general legal framework organizing the relationship between employers and the Directorate of Labor and Social Security is well systemized, exemptions are still granted on a discretionary basis. Therefore, despite the clear and flexible directives communicated by the Ministry of Natural Resources, the Directorate of Labor and Social Security can still interpret and apply the directives at its discretion, which often proves to be a significant final hurdle when seeking exemptions.

Companies operating in federal Iraq and the Iraqi Kurdistan Region must register all local and foreign employees with the Directorate of Labor and Social Security.

The Pension and Social Security Law (39/1971) applies in both regions and regulates the different issues faced by employers and employees regarding their rights and obligations towards each other on the one hand and obligations towards the relevant governmental authorities on the other hand.

Social security registration and contributions

All employers must register their employees with the Directorate of Labor and Social Security as of the first day of employment.

Any change in the number of employees must be recorded and documented simultaneously with payment of monthly contributions, where new and departing employees are registered along with the respective start or end date of their employment.

The Ministry of Interior imposes strict requirements on visa permits for unskilled workers. Employers must sign a social security registration pledge in order to complete the visa issuance process. Once inside the country, all unskilled workers must be registered with social security before their residency permits can be issued.

Employers make a 12% social security contribution for each employee, calculated based on each employee's monthly wages. Employees make a 5% social security contribution, withheld at source by the employer.

General exemptions and special exemptions for oil companies

Foreign employees of all companies can be exempted from social security registration and contributions if they demonstrate that they are registered with social security or any equivalent government programme in their home country.

In accordance with Directive 17094/2013 – issued by the Ministry of Natural Resources, the governmental authority overseeing and regulating the activities of oil companies in the Iraqi Kurdistan Region – a special exemption regime applies to foreign employees of oil companies.

The issued directive provides easier exemption conditions for foreign employees of oil companies based on the following procedure:

The employment contract must clearly state that both parties have agreed to register the employee with the Directorate of Labor and Social Security.

The employee must either have private insurance coverage or be registered with a government program that is similar to social security.

Supporting documents must be translated into Kurdish and submitted to the Directorate of Labor and Social Security. An exemption will be granted only if the directorate determines that the presented coverage is more beneficial to the employee than Iraqi social security.

Insight

Identifying Global Beacons for Private Sector Reform

DAVE VAN ZOONEN • MERI RESEARCH FELLOW

The vulnerability of Kurdistan's economy to volatility in the international markets was painfully revealed by last year's fall in oil prices. Now, almost a year and a half later, it has become abundantly clear that Kurdistan's dependence on the export of a single commodity as the main driver for its GDP is both economically undesirable and fiscally unsustainable. With the oil price hitting its lowest point in ten years, and no reason to suspect a turn for the better any time soon, the KRG finds itself in desperate need to come up with a comprehensive policy for diversifying its economy and increasing production in the private sector.

This situation is not unique to the KRG and many governments of oil-rich countries currently find themselves in the same position. In addition, history is laden with examples of governments attempting to steer their economies away from resource dependence by developing and implementing large-scale economic diversification strategies. Naturally, some have been more successful than others but all efforts, successful or not, can provide important lessons learned to those pursuing a similar objective.

For example, in Chile, a country home to about 38% of the world's copper reserves, the government succeeded in steering its economy away from a single commodity and added important alternatives such as wine, timber, fruit and salmon to its main exports, reducing the country's vulnerability to price fluctuations in the international markets. Historically, Malaysia was heavily dependent on the export of rubber and tin, but through a sustained governmental strategy was able to diversify its agricultural output by including palm oil as a major export product. Moreover, the country has made impressive progress in developing a competitive manufacturing sector, particularly in higher added-value products such as industrial electronics. By the early 2000's, this manufacturing sector produced over 30% of Malaysia's total GDP. Finally, Indonesia has a long history in government-led industrialisation, enabling it to reduce its earlier dependence on primary commodities in mining and agriculture.

While the KRG can benefit from the experiences of these countries, it has to establish its own model for recovery in accordance with its unique set of natural resources, economic potential and geopolitics. Nonetheless, the KRG should identify parallels with existing cases and actively seek to get technical assistance from leading experts experienced in implementing such economic reform plans. This should move beyond the mere diagnosis of the infamous 'Dutch Disease' and the consequential loss of competitiveness in agricultural and manufacturing sectors. No one needs to explain to Kurdistan the detrimental effects of oil-dependency on the rest of the economy, or the extent of the damage done by the multiple external shocks. But, understanding the problem is one thing and taking meaningful steps to solve it is another.

There are a wide variety of policy-tools available to governments to enhance private sector diversity ranging from tax breaks, subsidies, public procurement and investment, to deregulation, reducing restrictions on investment, import-substituting policies, promoting public-private partnerships and increasing assistance to small- and medium businesses. Some of these tools require an allocation of funds that currently may be out of reach for the government. Others, however, are financially more feasible such as promoting public-private partnerships, implementing import tariffs and facilitating a better investment climate by increasing transparency and improving institutional oversight.

The need for a sustained and comprehensive approach to private sector development in Kurdistan has revealed itself beyond any doubt. Ultimately, what has worked in some countries may not work in Kurdistan and a successful policy-mix should always be tailored to realities on the ground. Nonetheless, the KRG would benefit from an outward-looking approach which draws inspiration from other countries further along in their process of economic reform. These countries can provide valuable council and serve as beacons along the KRG's own path to private sector diversification.

Empire
Building the Future World

An Elite Lifestyle
In The Kurdistan Region





Home to several major real estate and development projects, the Empire World Project spans a land area of 750,000 m², with a total construction area of 1,250,000 m².
Empire's multi-faceted and mixed-use approach to land utilization for residential, leisure and entertainment, service facilities and office/commercial space, affords the Project the distinguishing characteristic of a city within a city.

88 towers and 300 luxury villas
JW Marriott Hotel and Executive Apartments
Empire Business Towers
Empire Business Complex
Empire Royal Villas
Empire Royal Apartments
Empire Residential Wings
Empire Diamond Towers
Empire Pearl Towers
Empire Speed Center
Service Facilities (Medical Clinic, Fire Station, Kindergarten, Mosque)

Empire World
Empire Business Complex, Bldg C4
Erbil, Iraq

Mob: +964 (0) 750 640 8811 - 8822 - 8833
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Geared to Build



Peshraw Majid Agha —
Chairman, Falcon Group

IIG talks to Peshraw Majid Agha on Falcon Group's Empire World project, and the company's future goals.

Falcon Group is one of Kurdistan's top firms, and boasts a diversified line of businesses. What sectors do you consider to be the cornerstones of your company?
The sectors that stand out are our construction, security and real estate services. Together, they form the lynchpin of Falcon Group's development strategy. The continuous pursuit of growth and diverse business opportunities have driven our success.

What are Falcon Group's main objectives for 2016, and what is its medium-term development strategy?
Our goal is to maintain steady growth in core sectors, including security, real estate, construction, and oil & gas services, while looking out for new opportunities elsewhere. Kurdistan is still a growing region, and while many sectors of the economy have slowed in the past year, its long-term development model is sustainable and continues to attract investment.



To date, we have completed about 75% of the project and are currently working on the Empire West Wings, which features residential towers and three business towers. We will be handing over the keys of these landmark buildings next year.

Can you brief our readers on the construction of the Empire World project?
Empire World is a very large development that spans over 750,000sqm. It is probably the largest mixed-use development in all of Iraq. To date, we have completed about 75% of the project and are currently working on the Empire West Wings, which features residential towers and three business towers. We will be handing over the keys of these landmark buildings next year.

What distinguishes Empire World from other projects in the Kurdistan Region?
It's the thought which has gone into every stage of development, from the design and layout of Empire World, which was engineered by a top architecture firm in Dubai, to its facility management and prudent financial planning, which have ensured that the project has continued despite the credit crunch we are all witnessing in Kurdistan.



THE PROJECT: EMPIRE WORLD

Empire World continues to forge ahead, advancing the construction of the Empire World Project despite the economic challenges confronting the Kurdistan Region.

The Empire West Wing's residential projects are now 75% complete, with its grand opening expected in mid-2016. The shell structure of the three luxury Diamond Towers has been completed, while three out of five of the Empire Business Towers are due to be completed by mid-2016. Empire Business Complex, a series of six premium office blocks, was completed in early 2015 and is ready for commercial tenants.

Home to several major real estate and development projects, the Empire World Project spans a land area of 750,000m^2.





Total construction area:
1,250,000m^2

Building plot area:
429,835m^2

Total green area and roads:
360,000m^2

Service plot area:
12,500m^2

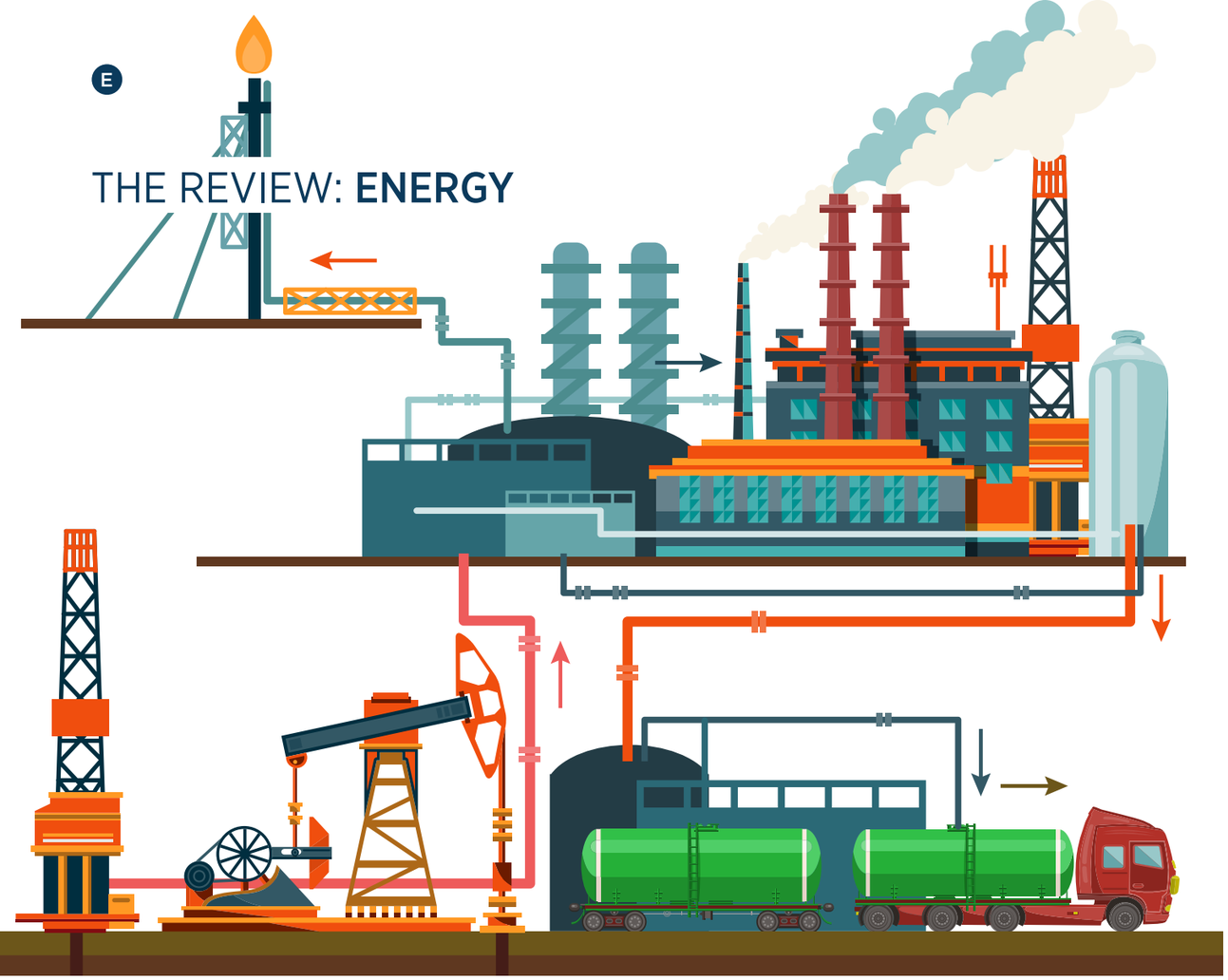
Total cost of project:
$2.7 Billion

Total Units:
88 towers &
300 luxury villas

Utilizing land for residential, leisure, and work spaces, Empire's multi-faceted and mixed-use approach to land development is the project's most distinct characteristic, and lends it the feeling of a city within a city.







Slowly But Surely

In spite of all the challenges it has faced, 2015 has been a year of growth in oil and gas production for the Kurdistan Region.

In spite of all the challenges it has faced, 2015 has been a year of growth in oil and gas production for the Kurdistan Region. Kurdistan's oil sector saw a rapid leap in terms of production from an average 400K bpd in 2014 to 600K in 2015. Moreover, the Region's gas industry has stayed on course and the KRG took bold steps towards becoming a significant gas exporter, which would put Kurdistan firmly on the global energy map.

The Kurdistan Region holds an estimated 45 billion barrels of oil reserves -- equivalent to almost one third of Iraq's deposits. In addition to oil, Kurdistan has large gas reserves, standing at 200 trillion cubic meters, according to the data provided by the KRG's Ministry of Natural Resources (MNR). Kurdistan plans to be exporting as much as 1 million barrels of oil a day by the end of 2016, and 20 billion cubic meters of gas a day by 2020.

The rapid decline in oil prices (plunging from $112 in June 2014 to $38 at the end of 2015) and independent oil exports have been the key areas taken into consideration when developing Kurdistan's energy industry during 2015. The MNR's main policy for 2015 can be described as creating a stable energy industry that serves the KRG's main aim of safeguarding financial stability. Since the Brent oil price is set to stay around $45-$55 in 2016, and the Baghdad-Erbil rift regarding the oil export issue has not been solved, IIG predicts that these two issues will dominate Kurdistan's energy agenda during 2016 and 2017.

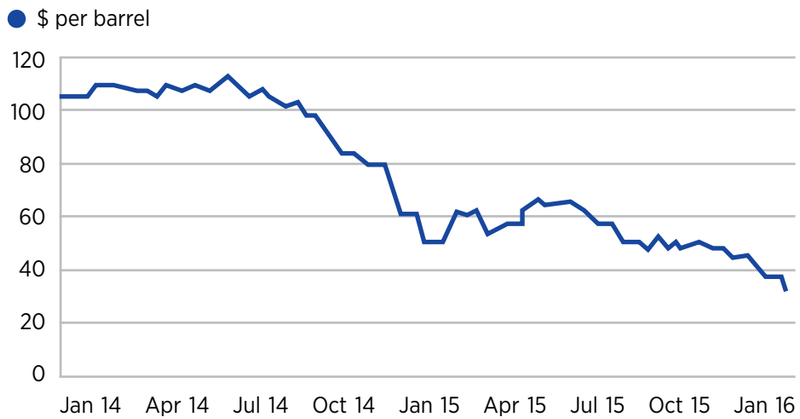


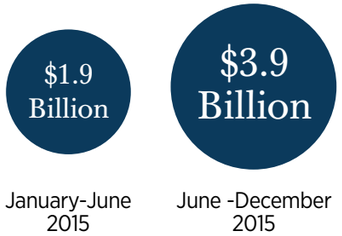
In January 2015, Baghdad and Erbil signed a deal under which Kurdistan would transfer about 550,000 bpd to the Iraqi state oil firm SOMO over the course of 2015 while receiving 17% of the Iraqi national budget (amounting to $1.1 billion a month). However, the deal failed immediately after Baghdad claimed that Erbil was not transferring the agreed volumes, and sent only $200 million to the KRG instead of $1.1 billion. The KRG upgraded its export infrastructure, and increased the capacity of its pipeline network. Exports increased dramatically and reached around 560K bpd over the course of March and April 2015. However, Baghdad transferred around $1.9 billion in total to Erbil from January to June – less than 40 per cent of the amount to which the Kurdistan Region was entitled.

The central government effectively engaged in financial discrimination towards the Kurdistan Region, and consistently refused to respect Kurdistan's right to its share of the budget, despite the January 2015 agreement. The Kurdistan Region needs stable revenues to pay government employees and its Peshmerga forces. In addition, the Region's population increased dramatically due to the influx of over 1.8 million Syrian refugees and Iraqi IDPs, placing an additional burden on the KRG.

Given the circumstances, at the end of June 2015 the KRG came to the conclusion that it had no option but to start independent oil sales in order to be able to pay its salaries. Officials from the central government in Baghdad continued to state that Baghdad would provide Kurdistan's share of the budget if Erbil would stop its independent exporting of oil. However, confidence had been eroded, after a series of promises made by the central government were not kept.

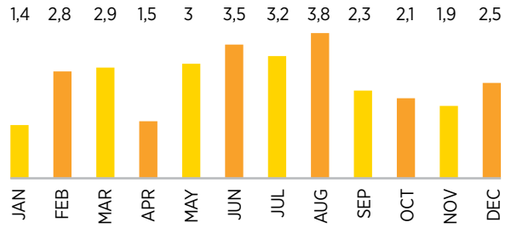
Brent crude oil prices, January 2014 - January 2016





From 1st January 2015 – 23rd June 2015, the KRG only received $1,9 billion in export revenue from the federal government. The KRG generated revenues of $3,9 billion from 24th June 2015 to 31st December 2015 when it began its independent oil sales.

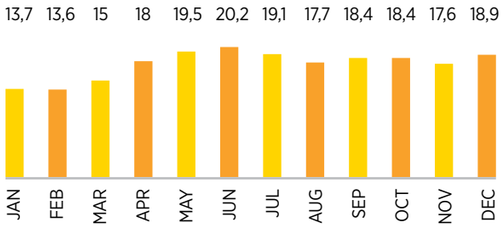
Local Consumption (Million Barrels)



TOTAL: 31,4 Million bbls
Barrels of oil sold to buyers in the domestic market

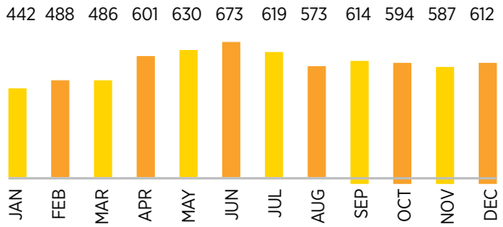
Gross Production 2015, Monthly Outputs

Crude Oil Production in Million Barrels



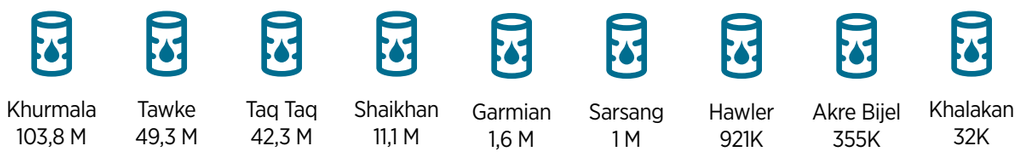
TOTAL: 210,7 Million bbls

Average Barrels Per Day (Thousand)



TOTAL: 577,287 bpd

Production Output per Block (bbls)



TOTAL ANNUAL PRODUCTION
210,7 Million bbls

Oil Production & Export

Global energy industry investment slowed sharply during 2015 due to the rapid drop in oil prices. It is predicted that global oil and gas investments will fall to their lowest in six years in 2016, to $522 billion.

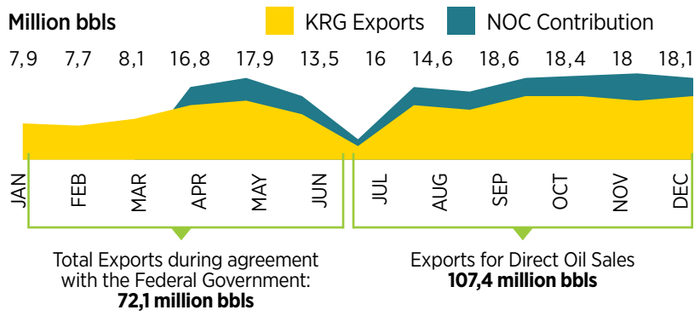
Like all oil producing countries, the oil price plunge has obviously affected investment in and the budget of the Kurdistan Region, since the oil industry represented a huge share of the region's GDP. However, Kurdistan gradually increased its oil production and export figures during 2015 despite the crisis.

In 2015, oil production in the Kurdistan Region stood at 210 million bbls, a major increase compared to 2014, during which it was 114 million bbls. In addition, monthly average production reached 577,287 bpd in 2015. The MNR's long-term prediction is that production levels will reach around 1 million bpd by the end of 2016. In 2015, local consumption stood at 31,404,649 bbls.

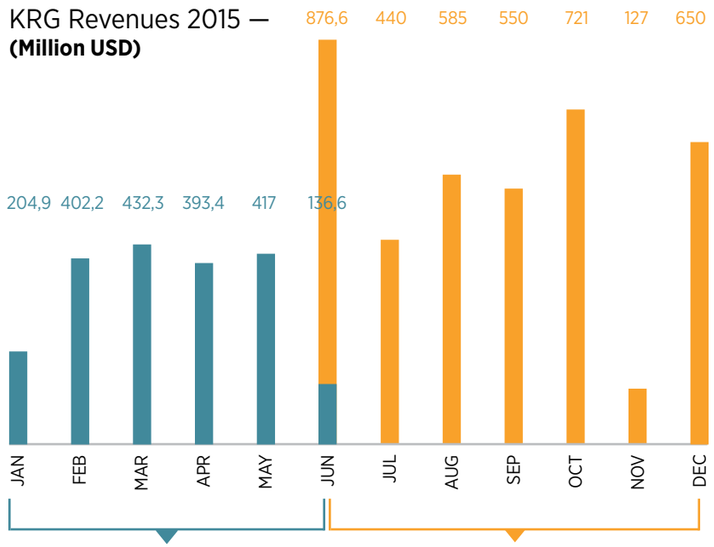
From 1st January 2015 – 23rd June 2015, the KRG exported its crude oil under an agreement reached with the federal government in Baghdad. Over this period, the KRG only received $1.9 billion in export revenue from the federal government. The Kurdistan Region generated revenues of $3.9 billion from 24th June 2015 to 31st December 2015 when it began its independent oil sales. The KRG independently exported 107,460,635 barrels of crude oil in the same period.

Since June, independent sales have allowed the KRG to generate around $628 million a month, enabling the government in Erbil to pay government employees' salaries and fees to oil companies. It is expected that the Kurdistan Region's oil revenue will reach around $8 billion in 2016 even if prices stay at their current level – which is $49 as of May 2016.

Total Exports via KRG Pipeline per month (bbls)



KRG Revenues 2015 — **(Million USD)**



The KRG does not comment on the buyers of its oil. However, the number of countries receiving Kurdish oil has risen to nine in 2015, according to Stratfor. Despite all the turbulence in 2015, the Kurdistan Regional Government has continued to deliver payments to companies, which have been developing fields in Kurdistan. The KRG has also stated that payments would be increased as oil prices rebound.



Refineries

Kurdistan is expanding its refining capabilities, with three major facilities already in place.

The Kalak Refinery, which is located in the Erbil governorate and is operated by KAR Group, to raise its capacity to 175,000 bpd from 100,000 bpd.

In the Slemani governorate, the Bazian refinery has been operated by Qaiwan Group since 2009. The facility raised its capacity to 84,000 bpd in 2015 from 34,000 bpd in 2013.

Tawke Refinery is located in the Duhok governorate and is operated by DNO. Tawke's capacity stood at 3,500 bpd in 2015.

Refined Products 2015
Annual Refining Outputs by Refineries

	NAPTHA	SWEET NAP.	GASOLINE	KEROSENE	DIESEL	FUEL OIL	LPG	GASOLINE
TAWKE	130,000 bbls	314,256 bbls	743,049 bbls					
BAZIAN	2,9M bbls	35,957 bbls	1,8M bbls	1,1M bbls	1,3M bbls	3,5M bbls	110,946 bbls	
KALAK	6,4M bbls	28,788 bbls	4M bbls	395,533 bbls	3,7M bbls	12,1M bbls	295,965 bbls	519,068 bbls

Gas Industry

The Kurdistan Region holds an estimated 200 trillion cubic meters of natural gas, accounting for around 3% of the world's total reserves. With oil prices set to stay low in the short term, the KRG aims to promote the gas sector in order to become a significant exporter of both oil and gas. The potential boost in gas will provide additional benefits to the Kurdish economy. In accordance with this aim, the MNR prepared a detailed plan, with two main objectives. The first leg of this plan was to develop Kurdistan's gas resources in order to meet domestic need for power stations and industrial uses. The second leg focuses on meeting the demand of Turkey and several European markets.

The Kurdistan Region increased its gas production in 2015, and is planning to start exporting gas by 2019. The KRG has a gas agreement with Turkey that was signed at the end of 2013. Under this agreement, Kurdistan aims to increase its gas exports to 20 billion cubic meters a day by 2020. Turkey, which used 46 billion cubic meters of gas in 2013, and 48.7 billion cubic meters in 2014, is set to become one of Europe's top three consumers of energy in the next decade. It is also estimated that Turkey's gas consumption was at least 48 bcm in 2015. Kurdish gas could meet almost 50% of Turkey's gas demand in the medium term. The Turkish government is seeking to diversify its gas supply markets.

FOCUS

Miran & Bina Bawi Gas Fields

The Miran and Bina Bawi gas fields are operated by Genel Energy in the Kurdistan Region. Both gas blocks have an estimated 11.4 trillion cubic feet of raw gas reserves. The fields are expected to be fully operative by the end of 2016. Genel Energy plans to start exporting gas to Turkey by 2019.

Electricity

The power sector's developments over the past decade paint an optimistic picture of the industry's future. Until 2009, very little of the Region's electricity was generated locally, making Kurdistan dependent on Iraq's national grid and imported power from Turkey. Despite the fact that demand was low and distribution infrastructure was underdeveloped, Kurdistan still suffered from a dearth of available power and often faced blackouts. However, the KRG has vigorously developed its infrastructure since 2009.

Demand for electricity jumped from only 925 MW in 2004 to 5,000 MW in 2015. Since 2004, the private sector has invested over $5 billion in electricity generation in Kurdistan. The KRG's Ministry of Electricity predicts demand for electricity will grow 15% annually over the next three years. This is due to a combination of increasing economic development, a growing population, and improved transmission infrastructure. Between 2009 and 2015, the number of electricity consumers increased from 705,000 to 1.1 million, and the number of transformers from 20,000 to 28,000.

The Kurdistan Region's power generation capacity is primarily managed by the private sector, which provides the bulk of Kurdistan's electricity generating infrastructure. The electric power industry relies largely on gas-fired power stations that are supplied from fields at Khor Mor and Khurmala, among others. Generating capacity expanded from 482 megawatts in 2007 to around 2,850 megawatts in 2015. Much of the growth in generation was due to the construction of three major gas power plants located in Erbil, Slemani, and Duhok, built and operated by Mass Group Holding. The potential capacity of these three stations alone is 3,500 MW, with room for additional growth.

The Kurdistan Regional Government will also need to address the issue of unplanned power outages across Kurdistan. Sets of reforms are being implemented, signaling to investors that the government is committed to solving this issue, but the rising demand for electricity means that greater generation capacity is needed. The Kurdistan Region's current operating capacity is 3,886 MW. Kurdistan's current minimum power demand is in the range of 5,000 megawatts, in order to secure a stable supply. Currently, the Kurdistan Region sees between 18 to 20 hours of electricity a day. Many businesses and homes have their own back-up power generators to maintain a stable supply. The KRG should invest in the sector and privatization should be encouraged. The government is not ignoring the problem and has set a target of an installed capacity of 6,000 MW by 2017. The KRG plans to fully meet the demand for electricity in Kurdistan by 2017.

DID YOU KNOW?

The IFC, a member of the World Bank Group, has announced a $375 million investment in the Kurdistan Region in April 2016. The project will provide electricity to millions of people across the country—particularly in the Kurdistan Region of Iraq, where a migrant crisis has strained power infrastructure. The financing package includes $250 million from IFC's account and $125 million from Bank Audi. Mass Global Energy will use the fund to add 500 megawatts of capacity to a 1,000-megawatt power plant in the Kurdistan Region of Iraq—providing power to 3 million people—and to help complete a new power plant near Baghdad that will supply about half of the Iraqi capital's electricity needs.

Renewables

Installed capacity for renewable energy sources in the Kurdistan Region remains quite limited. KRG officials confirm that renewable energy plays a minor role in meeting the Kurdistan Region's power needs at the moment, but they point to the important role alternative sources of energy play in their strategic energy outlook. The Kurdistan Region's two hydroelectric power plants at Darbandikhan and Dukan provide 300 megawatts of electricity at peak capacity, and the KRG is currently carrying out a feasibility study for introducing wind power. Private sector solar projects have so far been limited to a relatively small scale, providing around 50 megawatts. While the KRG does not believe that renewables are practical for meeting the entirety of the Region's energy needs, Kurdish leadership does emphasize a growing role for renewable energy in a holistic strategy to meet their ambitious electricity generation goals.

DERALOK PROJECT

The KRG inaugurated a 36 MW hydropower project in Duhok in Febraury 2016. The project is funded by the Japan International Cooperation Agency, JICA. The Deralok project will produce clean energy and store water for irrigation purposes.

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Insight

Sustainable Growth in Kurdistan's Energy Industry

SHWAN ZULAL • DIRECTOR, CARDUCHI CONSULTING



The current state of the KRG's energy industry is a far cry from its early days in 2007-8 and the speed with which the industry has developed has been breathtaking. The Region has attracted many of the big international players in energy and the prospect of the region producing 1 million bpd has attracted many investors. The building up of the industry has been impressive but recently sustaining this speed of development has not been easy.

Two years ago the main issue for Kurdish oil was finding a route to get it to market. The issue of how to get Kurdish crude to market has now almost been resolved. However, in the process other issues have arisen, such as, the war with ISIS, the pipeline security, crippling public sector salaries and low oil prices.

ISIS being on the border has not helped confidence from a security point of view, however, ISIS has not particularly affected the region's oil industry, from an operational perspective. Turkey-PKK fight may cause pipeline security issues but may very well be only a temporary issue.

The above factors have all contributed to a slowdown in the pace of development, however a lack of regular payments to oil companies and low oil prices have been the main factors causing the slowdown in the industry. Low oil prices have affected operations elsewhere in the world, so this is not unique to Kurdistan. Low oil prices coupled with liquidity and a financial crisis in Kurdistan have however exacerbated the problem.

Despite a promising start in 2015, with the announcement of a deal with Baghdad favorable to the Kurds, this has been largely ignored and Baghdad did not commit to its end of the bargain. Meanwhile, the KRG has managed to increase exports and find buyers on the international market. Oil was sold on forward sales contracts and in the second half of the year, the Kurdistan Region was expecting to receive around $850 million a month to cover its expenses and pay oil companies around $100 million a month. The plan looked great and the promise of payment was very good for the industry, however, in August 2015 oil prices took another dive and this has affected Kurdistan's total receivables.

Despite all the issues, investors are still bullish toward the Kurdish oil industry's prospects but the KRG has some serious choices to make if it is to overcome its recent problems.

Civil servants' salaries make up the majority of government expenditure and the government has been trying to reform the public sector. There has, however, been little appetite on the part of the major political parties to move on the issue.

To maintain the momentum in the Kurdish oil industry, regular payments to the IOCs are essential. Production is still increasing but without new capital entering new development projects, the current rapid expansion will come to a halt.

The KRG has little power over oil prices and regional instability but the Kurdish government can start by reforming the public sector and reducing the huge burden on the region's finances. Overdue reforms are gathering pace and the main political parties are slowly coming around to the idea. Although the problem has been identified, the reforms will not be as quick as some are hoping but will surely start soon.

Major Plans



Baz Karim —
President & CEO, KAR Group

IIG talks to Baz Karim about KAR Group's ambitious future plans in the Kurdistan Region.

Looking back over 2015, how would you assess the impact of the low oil prices on the company?
Two dynamics emerged from the low oil prices. First, there was a cash flow challenge. The price fell so quickly and government reform could not keep up. Money for energy companies was scarce for a while. That has changed in 2016 as the systems have adjusted and the government is working with its energy partners to encourage investment. Also, the price of oil has rebounded from its lows. Second, for investment projects, the lower oil price translated into more cost effective projects. We took advantage of this at KAR. We signed with the KRG a gas project to increase gas-processing capabilities at Khurmala from 100 mmscf/d to 300 mmscf/d. We started drilling gas wells also for feedstock production for the gas plant. We installed a new crude stabilization train at Avana, and we continued on a water injection project for Bai Hasan, Avana and Khurmala.

Looking ahead for the coming year, what are the major plans for KAR Group?
We would like to raise output from 350,000 bpd to 410,000 bpd. This requires a workover program, some new drilling and the use of artificial lift and water injection. We also are expanding our power plant from 600 MW to 1000 MW. This project has been in the works for some time, and will be commissioned in 3rd quarter of 2016. We will continue to expand and upgrade the Kurdistan Export Pipeline including gathering crude from Sarsang, Atrush and Sheikhan. This will also include a pump station to boost overall export capacity as well.

> **Our refinery is currently at 100,000 bpd, but at 75,000 bpd expansion is in commissioning. This will put our overall refining capacity at 175,000 bpd.**

What is the current capacity of the KAR's Kalak refinery, and what is your expansion target for 2016 and beyond?
Our refinery is currently at 100,000 bpd, but at 75,000 bpd expansion is in commissioning. This will put our overall refining capacity at 175,000 bpd. We are adding a new element during this phase: condensate refining. With increased gas production forthcoming, we see condensate refining as a good domestic value add.

Do you have any plans to invest in renewables in the medium or long term? How do you see the global renewable energy trend?
Since we have an abundance of natural gas, I feel that adding value to that natural gas domestically – by making power, petrochemicals, and industry – is a better use than exporting the raw material. Using is locally builds an economy and employ people. Renewables are good for places without natural resources. Shall we make use of our abundant sun here in Kurdistan? Yes, but only if it is cost competitive. I read that solar has come down in price, but still with abundant gas, it is more efficient for us to use it domestically and let other markets without such resources transition to renewable energy.

About

Baz Karim is the founder of KAR Group. As one of the leading oil and gas industry figures in the Kurdistan Region, he follows the guiding principle of establishing a stable model of Iraqi employment for both operations and investment activities.

Insight

Off the Bottom, Emerging Stronger

BRAD CAMP • ANALYST



The rapid plunge in oil prices shocked policy makers around the globe, and the emerging energy market of Kurdistan was not immune. As exports from Kurdistan rapidly grew from 150,000 barrels per day to 300,000 barrels per day to 600,000 barrels per day, downward crude prices were mitigated by increases in exports. As oil sank into the $20 per barrel range, investment in new production or sustaining current production seized up in every oil patch around the world. Again, Kurdistan was not immune.

In the second quarter of 2016, oil prices leaped to nearly $50 per barrel. A sense of the worst is behind us started prevailing and for several reasons, Kurdistan will rise off the bottom quicker and stronger.

First, production is dominated by Kurdistan-focused producers, including, KAR, DNO, Genel Energy, Oryx and HKN. As the market normalizes and especially with regular and contractual based payments of entitlements, these companies will use the proceeds that they earn in Kurdistan to continue investing in Kurdistan. This circulation of capital in the local market is essential for an economic rebound, and it mitigates against capital flight.

Second, Kurdistan is relatively cheap oil to produce, compared to offshore oil, for example. Oil produced in Kurdistan is efficiently exported by pipeline and sold to international markets. Major international oil purchasers have extended pre-payment financing to the KRG, another testament that the oil is trusted and valuable.

Third, the KRG has embarked on an ambitious and timely reform program to modernize the way the government does business. While oil prices were high and export volumes were increasing, the KRG had abundant funds to become complacent rather than constantly focusing on improving the delivery of services in more efficient and cost effective ways. The reform program will ease the burden on resources for operational expenses and provide more funding for longer-term economic development.

Fourth, Kurdistan is set to be an exporter of value added goods and services. The investment decisions of the past five years are starting to yield opportunities for the sale of industrial goods – steel and rebar, cement, fuels and even electricity – to the near abroad. This provides employment opportunities for locals in the manufacturing of the goods. It also creates important and stabilizing economic linkages with the neighbors. In the past several years, Iraq focused on increasing oil exports with little value added. All the while, Kurdistan was quietly building industry that will pay dividends for decades to come.

And, fifth, the brave Peshmerga continues to advance against the Islamic State enhancing the overall feeling that the Region is stable, defendable, and safe for investment. The international community has increased its support for the war effort in recognition that the Peshmerga are aligned with the values of the modern world on fighting and defeating threats to the homeland and the exportation of terror around the world.

Regional political stability remains a challenge. The relationship between the Kurdistan Region and Baghdad is at another threshold. The Kurdish people are increasingly calling for a process to determine the future of Kurdistan as part of Iraq. Commitments made through political agreements, with some even enshrined in the Iraqi Constitution, continue to be shelved rather than implemented. There are multiple ways forward that are achievable, and none should concern investors. The common thread is a peaceful, agreeable solution that is accepted by all sides in good faith.

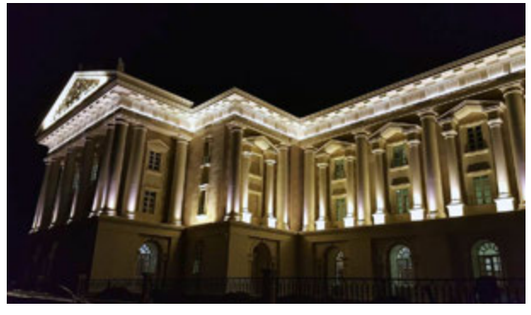
Although the oil price is the headline for measuring economic performance, Kurdistan is much more dynamic than that. 2016 is the year of better governance, bold reform, industrial output advancement, contract affirmation, and the expression of the will of the people for peace and prosperity.

AMERICAN UNIVERSITY OF KURDISTAN — DUHOK

Established in 2014, the American University of Kurdistan (AUK) seeks to foster respect for learning, knowledge and genuine academic achievement. Located in the heart of Duhok, AUK aims to become a leading center of academic excellence and research. The main building, which has a total floor area of approximately 30,000 square meter, can accommodate 3,000 students. The University aims to mold the next generation of leaders through challenging courses, up-to-date methodology and qualified, experienced faculty members. AUK will be an academic institution built on excellence.

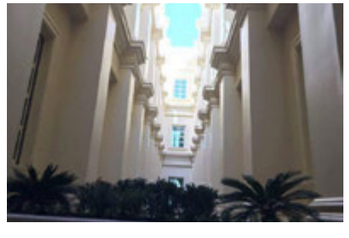












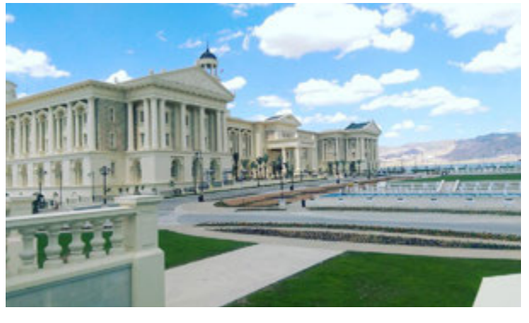














The Path to Excellence



Professor Michael Mulnix —
President, American University of Kurdistan (AUK)

IIG talks to Professor Michael Mulnix on the AUK's strategic plans and targets in the medium term.

About

Dr. Mulnix has been employed in a number of senior-level positions in Saudi Arabia, Kuwait, the UAE, and Mexico. He received his bachelor in science degree in journalism and history from the University of Colorado in Boulder; his master of arts in communications from the University of Notre Dame; and his doctorate in public communication and business from the University of Maryland in College Park.

The AUK aims to establish itself as an institution with a reputation for excellence. How do you define excellence in the context of AUK's strategic plans?
At The American University of Kurdistan (AUK), excellence is defined in terms of our mission which is, I believe, one of the strongest and most powerful of any in higher education today. In part, the mission reads that AUK is committed to shaping leaders for local and regional communities by "offering quality education, research, and career-oriented programs . . . The University practices the highest standards of intellectual inquiry and scholarship . . . Academic freedom, equal opportunity, and unity in diversity are the hallmark components of AUK's educational model."

As I stated at our recent grand opening, an education at AUK is values-based. We will demonstrate excellence by creating a robust, challenging curriculum featuring innovative academic programs with performance indicators and student assessment outcomes clearly articulated. We are not just going to graduate students. We are going to graduate the future leaders of Kurdistan….the future leaders of the MENA region and of the world. Our students will enter a global society and to ensure their success we are going to internationalize our student body and our curriculum, eventually bringing to this campus the best and brightest students from throughout the Middle East, from Europe, from Asia, from the United States and beyond.

As the world grows increasingly smaller, internationalizing our curriculum is not only the smart thing to do, it is the right thing to do. We will ask that our students at AUK increase their knowledge of the cultures, traditions, religions, politics, and languages of all parts of the world. We will teach our students to be multi-cultural and tolerant of all races, creeds and political affiliations. This type of inclusive education is the best and the fastest way to combat extremist groups such as the so-called Islamic State… the best and fastest way to bring peace to our world.

What do you consider the most pressing issues for higher education in Kurdistan and how will the AUK respond to these issues?
I would answer this question with two words: access and internationalization. Regarding access, I'm constantly surprised at the number of students who are denied any type of higher education in Kurdistan. Entry into programs is based entirely on test scores. Although in the United States, test scores are important, they are only part of the admissions process. Personal interviews, public service, work experience and volunteerism are all considered just as important as a test scores. Let's say a young man or woman has a low test score but has worked as volunteer in a hospital for the past three years or has worked as a computer technician while going to high school. Shouldn't those experiences be considered as well as a score on a single test? All students should have access to some type of education after high school. In the United States there are community colleges, vocational schools and more. Graduating from these kinds of institutions allows students to be prepared for the work force and to become productive citizens.

The second pressing issue for higher education in Kurdistan is internationalization of the curriculum. We have to begin stressing the importance of the "education of the student as a whole person." In other words, students need to graduate with employable work skills, for sure, but they also need to be holistically educated with skills in the humanities, sciences, mathematics, world history and more. They should possess knowledge of different cultures, religions, political systems, and have a deep understanding of current events. They should be encouraged to think creatively and independently; they need to be challenged to think for themselves, to think globally, as citizens of the world.

How will the AUK work toward improving the scientific research and critical-thinking skills of its students?
I took this presidency after hearing the Chairman's vision for the future of AUK. His Excellency Masrour Barzani envisions a strong, independent University that is recognized as an outstanding teaching and research institution. With that in mind, we will empower our students to think critically and to think for themselves. Again, as I said at our grand opening, we will challenge our students to effect personal, social, political and environmental change within a global context. We will promote a spirit of inquiry by creating a multi-cultural, intergenerational, and highly accessible institution that values and nurtures an innovative, reflective and experiential approach to educational excellence. Excellence in scientific research can be achieved by building lasting partnerships with business and industry as well as with other educational institutions on a local, regional, national and international basis. AUK has already begun to develop a strong international presence by building relationships with a wide range of colleges and universities. This will allow AUK to strengthen its research-based curriculum and, as a direct result, the critical-thinking skills of its students.

Can you brief our readers regarding AUK's expansion strategy in the medium term? What are your targets and priorities in terms of opening new departments, research centers, and staff and student numbers for 2017 and beyond?
We are in the process of developing a strategic plan that lists our goals and objectives for the current year and, then, for three- and five-years out. We are working hand-in-glove with the AUK Board of Trustees, the Minister of Higher Education, the Governor's Office and many other private and public agencies to define our expansion strategy. We are starting small, with only four active departments including design, business and finance, politics and public policy, and computer science. However, we are conducting market research to determine the feasibility of starting programs in engineering, health sciences, international studies, education and arts and sciences. The normal structure for any university is to have various colleges that are then comprised of different departments. For example, we may eventually have a College of Engineering that could potentially house departments with architectural, agricultural, computer, and petroleum programs. We don't want to start any program that doesn't fulfill a real need in the region, such as nursing or teacher education. This new University won't ever be as large as, say, the University of Duhok. It is unlikely that AUK will ever grow larger than 4,000 students. That is a very nice size because it allows you to have resources for truly innovative, outstanding programs but also to be able to give individual attention to your students.

> **"We will promote a spirit of inquiry by creating a multi-cultural, intergenerational, and highly accessible institution that values and nurtures an innovative, reflective and experiential approach to educational excellence."**

Insight

Commitment to changing people's lives for the better

DR. HONAR ISSA • MEMBER OF THE BOARD OF TRUSTEES, AMERICAN UNIVERSITY DUHOK KURDISTAN



It goes without saying say that an educational system is the bedrock of any developed country. Efforts to nurture education demonstrate a commitment to human development. Despite the fact that Kurdistan has grown exponentially over the last decade and has made great strides in its development, compared to Southern Iraq, certain educational issues have not been addressed properly. For one thing, there has clearly not been a systematic approach to rationalizing the educational system in Kurdistan.

After a safe haven was created in Kurdistan by the coalition forces in 1991, Kurdistan obtained de-facto semi-autonomy that made it possible for the Kurdish people to attain self-rule within the region. Kurdistan became isolated from the international community due to the sanctions imposed on Iraq after the 1991 invasion of Kuwait. However, Kurdistan began establishing public universities to educate its young people. Although these institutions did not have any exchange programs with international institutions for more than a decade, they endeavored to keep their doors open to students and managed to offer academic programs, albeit with a somewhat outdated curriculum. Their contribution to the community was limited by the facilities and capacities that they possessed at the time.

The liberation of Iraq and Kurdistan in 2003 created a lot of opportunities for establishing private universities in the region. It has been shown in many regions around the globe that the emergence of private educational institutions has brought significant changes in the quality of education. What distinguishes private educational institutions from their public counterparts is that they bring accountability, credibility and flexibility to education and research and consequently they attract people of high caliber.

Unfortunately, most of the private universities in the region lack the credibility to assure quality education and they mainly rely on tuition fees to cover their operational costs. They are not run by academics, but rather businessmen who seek a quick return on their investment. At the same time, public universities have so far failed to attract the high quality faculty and administrative staff members needed to create a conducive environment for the development of higher education. One of the reasons for this is that public universities offer a very low salary scale, one that has not attracted high quality staff members.

Among those few private universities in Kurdistan that strive to provide high quality education is the American University Duhok Kurdistan (AUDK). It is a nascent university which is less than one year old. The Chairman of the Board of Trustees (BOT), and the founder of the university is His Excellency Masrour Barzani who has envisioned turning AUDK into a leading institution in the region by offering state-of-the-art programs. As an academic figure and a leader, Chairman Barzani has decided to make AUDK a not-for-profit institution to show his concern for promoting a high quality system of education in the region.

AUDK has enjoyed an outstanding start as a center of education and research. The university currently offers five programs; Computer Science, Design, Management and Finance, Media Studies, and Politics and Public Policy. Within these five programs, there are 20 majors that are not offered by any other institution in the region. These include Digital Forensic Science, Fashion Design, Digital Animation, Logistic and Supply Chain Management, Hospital and Healthcare Management, Insurance and Risk Management, and Security and Strategic Studies. The BOT has recently appointed Professor Michael Mulnix as the new president of AUDK. Prof. Mulnix has an outstanding academic record and strong leadership skills. He is currently drawing up a long-term strategic plan to ensure the success of the university. That plan will involve future expansions, self-sufficiency and sustainability, as well as the initiating of procedures needed to gain accreditation. One of the primary goals of AUDK is to gain accreditation from a reputable accrediting body in the U.S. This will be an arduous process but it will guarantee high quality education at AUDK. The university plans to establish more programs in the future including Nursing, Medical Science, Engineering, Education and Liberal Arts, and Art and Cinema. These will meet the learning needs and aspirations of students to develop their intellectual abilities. The programs will also reflect the market demands.

> **“Our main goal is to educate future leaders of the community and pave their way to the pinnacle of knowledge and excellence.”**

In accordance with its commitment to changing people's lives for the better, AUDK offers diverse programs to the community. It has recently established the Center for Peace and Human Security which aims to address the issues of the local community and to approach them academically. AUDK is the first institution in the region that offers a “Peace and Community” course of study as part of the general education that students take during their first two semesters. This was decided after conducting a study on what courses should be developed to serve the community. Of equal importance in terms of social impact is AUDK's positive contribution to the economy and the development of the community by offering professional development programs for professions such as teachers, nurses, managers and professionals, as well as providing them with English as a Second Language programs.

Thanks to the vision of H.E. Masrour Barzani, AUDK has recently introduced the “Mustafa Barzani Honors Scholarship”, the “Chairman Barzani Honors Scholarship” and the “President's Merit Scholarship”. These scholarship programs will be awarded to the top students in the region as part of the strategic plan to attract the highest quality students to AUDK.

The BOT has established the AUDK-Foundation, which will allow the university to build warm, long-lasting relationships with a wide range of stakeholders on the local, regional, national and international levels. The philosophy behind this Foundation is to engage the community and its individuals in supporting the development of the university and establishing it as one of the premier teaching and research institutions in the Middle East and beyond.

Our main goal is to educate future leaders of the community and pave their way to the pinnacle of knowledge and excellence.

ICT SNAPSHOT

Get Connected

Kurdistan's ICT industry showed continuing signs of increasing development in recent years.

The Kurdistan Region still faces substantial challenges in developing a sufficient ICT infrastructure to connect all of its population, but a number of concerted moves are underway to expand the network and increase the number of users. While Erbil and Slemani remains well served, there is a significant divide between urban and rural users in all forms of telecommunications technology use.

While acknowledging the fact that 2016 has been a challenging year for the Kurdish economy because of the shaky oil prices, the ICT sector has the potential to help job creation as well to the growth of the economy. The KRG seeks to expand access for all population in order to help boost growth.

There is still much to be desired in terms of the Kurdistan's computer and technical literacy. Technological literacy, though, is probably most important for the future growth of the ICT sector itself. The creation of the "IT-enabled society" is essential for further growth in the sector, and also for the economy more broadly.

Although the many advances in Kurdistan's ICT sector are to be commended, there are still gaps in the market and there remains much room for investment in the sector's continued growth.



Telecom

The telecom industry is dominated by the three players: Korek, Asiacell, and Zain Iraq. Zain caters to nearly 50% of telecom subscribers; Asia Cell, 32%; Korek, 18% across Iraq. Mobile penetration rates, already relatively high at over 94% within the Kurdistan Region, are continuing to rise. Only a small percentage of the Kurdistan's population is estimated to use smartphones with data plans, although trends in the sector suggest that this number is likely to quickly grow. Social media usage is highly developed; the total number of social media users are about 90% of the population.

Internet

Internet penetration rates have been climbing steeply, with major growth in local Internet Services Providers (ISPs). However, Internet penetration is still quite low (around 10%) by international and regional standards. The government is currently considering more innovative projects to encourage internet usage.

The provision of Internet services in Kurdistan started from a low baseline– the first international cables to bring data in and out of Kurdistan were only established in 2007-2008. While service and pricing for international data have greatly improved in recent years, thus far, the market is not very competitive, and fees are significantly higher than in Europe.

While major mobile operators provide 3G Internet to smartphone users, the use of the latest technologies in wireless data transmission, including 4G/LTE, is beginning to bring fast wireless Internet services to computer users that have limited access to hardwired options. FastLink, a company that uses small mobile devices to connect computers, smartphones, and tablets to the Internet in the Kurdistan Region through 4G/LTE networks, is the Region's technological leader in this field.

Top Internet Players

NEWROZ TELECOM

Newroz Telecom is the central player in Internet services provision thanks to its control of Kurdistan's only fiber optic cables into Turkey. Newroz Telecom's growth and investment have brought Internet connectivity to hundreds of thousands of homes and businesses since its establishment in 2005.

More recently, the company has begun aggressively pursuing wireless technologies, particularly 4G/ LTE services through FastLink, its sister company.

GORANNET

GoranNet is the leading ISP in Slemani. The company works with IQ Networks and Al Sard, both of which operate cables into Iran.

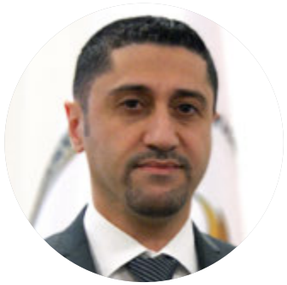
TARINNET

TarinNet, an ISP and ICT firm that provides the KRG with much of its Internet coverage, uses a point-to-point network of towers to distribute data around Kurdistan using WiMAX technology. This allows high volumes of data to travel long distances without the expense or hassle of wired options or 4G/ LTE technology.

INVESTMENT TIP

The level of technological literacy among much of Kurdistan's workforce is still relatively underdeveloped. Public sector training initiatives, and independent training centers teaching computer literacy is needed. Intermediate computing is one of the most in-demand courses in Kurdistan. For the broader population, there is a major gap in basic skills, which presents opportunities for companies willing to invest in training centers and ICT-focused education.

Kurdistan's IT Strategy



Hiwa Afandi —
Head of the Department of Information Technology, KRG

IIG talks to Hiwa Afandi about the DIT's current and future projects.

The Department of Information Technology (DIT) announced the launch of the top level domain suffix '.krd', in 2015. Could you brief our readers on the purpose of the .krd domain?

The purpose of the .krd TLD is to promote Kurdistan and raise the people of Kurdistan to the international stage by providing an online space over which to promote and develop the institutions, businesses, culture and language of the Kurdistan Region and its people. As such, the TLD aims to establish a dedicated, open namespace that represents Kurdish people within Kurdistan and internationally, and offers a new and innovative approach for internet users globally to engage with the people of Kurdistan.

Eric Schmidt, the executive chairman of Alphabet (Google) Inc in his co-authored book, "The New Digital Age: Reshaping the Future of People, Nations and Business" states that establishing the .krd is a step towards virtual statehood.

.krd is our pride and national flag in cyber space and plays a strategic role in validating our institutions in an age of expanding globalization. It will enable Kurdistan to take part in the increasing amount of global, cultural and commercial activities that take place online and will give Kurdistan the ability to bring its rich language, cultures and traditions to the world.

We are working hard to make sure the rights of registrants are protected and that policies are in place that safeguard transparent operations.

.krd has a dedicated website answering any questions at: www.dot.krd.

What are the key components of Kurdistan's e-Government strategy? And what are your current and future projects for e-government initiatives and for improving the way the KRG interacts with its citizens?

The key components of our e-Government strategy are:

1. Designing and implementing a connected and secure IT infrastructure
2. Developing and sharing government-wide IT applications, including utilities, data hubs and e-Services
3. Providing clear IT governance and leadership for government-wide programs
4. Building capacity in the region through education and training
5. Implementing sound IT policies enshrined in appropriate legislation, standards and regulations
6. Encouraging IT participation in order to nurture the emergence of a dynamic IT industry, and helping raise the level of internet penetration in society
7. Ensuring efficient and transparent mechanisms for IT investment

The difficulties that the Middle East as a whole and Kurdistan in particular are facing have slowed down our progress. Achieving the strategic goals mentioned above requires significant resources and powerful IT governance. Therefore, it is essential to identify the projects that are of higher priority and urgency. Delivering any IT services requires crucial infrastructure components and businesses that will utilize them. Creating KRG's first datacenter and ensuring secure access network are the two most crucial infrastructural projects that the Department of Information Technology is working on. Digital Identity Management Systems as well as HR and Payroll are the first business applications that will be implemented with other e-services following.



The purpose of the .krd TLD is to promote Kurdistan and raise the people of Kurdistan to the international stage by providing an online space over which to promote and develop the institutions, businesses, culture and language of the Kurdistan Region and its people.

How do you envision the DIT growing and evolving in its role over the next five years?

Running a government without IT is nearly impossible or at least extremely inefficient. The recent economic crisis showed the value of Information Technology, with DIT playing a significant role in quantifying and measuring government expenses. We believe our leaders see great value in taking advantage of technologies in general and IT in particular.

Kurdistan is currently blessed with a Prime Minister and Deputy Prime Minister who have a clear understanding of the importance of Information Technology. If this support continues, we believe the next five years will bring huge steps forward.

Payroll, Human Resources Management, Education, Health etc. will all be managed efficiently and transparently within the next five years. Having these systems in place will contribute to a transparent and healthy economy where decisions are made based on solid facts and data.

The recent economic crisis showed the value of Information Technology, with DIT playing a significant role in quantifying and measuring government expenses.

About

Prior to becoming the Head of DIT, Hiwa Afandi worked for several Departments and Ministries of the KRG as Director of IT. He studied at Hochschule Karlsruhe Technik und Wirtschaft in Germany, and holds an M.A. degree from the KTH Royal Institute of Technology in Sweden. Afandi speaks six languages.

Turn small ideas into big ones

Even the biggest idea will meet resistance or stumbling blocks unless a pragmatic plan is created at the outset and relentlessly followed through. That's why so many leaders rely on Deloitte. To step ahead with confidence, visit www.deloitte.com/middleeast.

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How to Start-Up
Doing Business in the Kurdistan Region

Deloitte.

Deloitte in Kurdistan
How will you benefit?

Using our expertise to add value and reduce risk
Operating in over 150 countries around the world, Deloitte, the largest professional services firm in the world, is recognized for its talent, scale, position and size. Our firm brings the experience that you require to mitigate the risks and challenges that your business might face in Kurdistan. We have a deep understanding of the local statutory accounting and tax compliance requirements; accordingly, many of the world's largest companies operating in the Region rely on our know-how.

Knowledge and value
Our team has extensive working knowledge of Kurdistan's investment and regulatory climate. We are well placed to provide support with regards to accounting, corporate income tax, and social security filing obligations, and to create lasting value. With such full-time dedicated resources on the ground in our Erbil office, Deloitte's practice in the Kurdistan Region blends global knowledge and local expertise, a factor which we believe sets our firm apart.

Deloitte's Kurdistan practice provides comprehensive and integrated solutions
Deloitte is among the region's leading professional services firms, providing audit, tax, consulting, and financial advisory services through 26 offices in 15 countries in the Middle East, with uninterrupted presence since 1926. Deloitte has a legal entity registered in Erbil with dedicated resources on the ground available to meet with clients of the public and private sectors locally and to liaise with regulatory and tax authority personnel as required.

Commitment to being at the fore of supporting our clients
As you grow your business in Kurdistan, we will be available to help you every step of the way. We will work with you to ensure that you are kept up-to-date on developments in the Kurdistan Region regulatory and tax areas.

With a globally connected network of member firms, Deloitte brings world-class capabilities and high-quality service to clients, delivering the insights they need to address their most complex business challenges.

Deloitte's professionals are unified by a collaborative culture that fosters integrity, outstanding value to markets and clients, commitment to each other, and strength from cultural diversity. They enjoy an environment of continuous learning, challenging experiences, and enriching career opportunities. Deloitte's professionals are dedicated to strengthening corporate responsibility, building public trust, and making a positive impact in their communities.

Understanding local requirements is key to success

In a raw and lucrative market such as the Kurdistan Region of Iraq, there are definite opportunities; hence, patience and local relationships are essential ingredients to a successful entry.

The Kurdistan economy is heavily reliant on oil revenues, but recognizing that oil export receipts cannot keep pace with spending for reconstruction, the Kurdistan Regional Government introduced new legislations in an effort to attract private sector and foreign investment. These new measures are meant to boost Kurdistan's economy driving non-oil GDP up.

The primary beneficiaries are many industry sectors including, but not limited to: construction and construction materials, branded consumer goods, healthcare, technology & electronics, retailing, financial services and capital markets.

This start-up guide is designed to walk a new entrant through the key steps in setting up a business in Kurdistan. Please note that this guide is general in scope and should not be relied upon as legal, tax or other professional advice specific to your industry, country of origin and business structure. Subsequent changes in or to the foregoing (for which Deloitte shall have no responsibility to advise readers) may result in the information provided by Deloitte being rendered invalid.

We would like to thank Hannouche Associates for providing the legal section of this guide. We hope that you will find this to be informative and your experience here in Kurdistan enjoyable and rewarding.

Respectfully,

Ayad Mirza,
Country Managing Partner,
Iraq Deloitte & Touche Management Consulting, WLL

Choice of entity and legal business structure

Iraq's Companies Law 21 (of 1997) as amended in 2004, which is adhered to in Kurdistan allows for several types of legal business structures. Principally these include joint stock companies, limited liability companies, joint liability companies, sole proprietorships, and branch offices.

As a general rule, a foreign company that is "carrying on business" in the Kurdistan region of Iraq is required to establish a legal presence in the region (e.g. company, branch office, etc.). While there is no specific definition as to what constitutes "carrying on business", typically an obligation would arise when the company obtains premises (including rented premises), retains personnel on a more than temporary basis, or in general, enters into agreements meant to be directly performed in the region.

Iraq's Companies Law 21 (of 1997) as amended in 2004, which is adhered to in Kurdistan, provides for several types of legal business structures. Principally these include joint stock companies, limited liability companies, joint liability companies, sole proprietorships, and branch offices.

Below we set out to list some of the more important legal requirements and practical guidelines necessary to set up the two most prevalent legal structures in Kurdistan: Limited Liability Companies and Branches of Foreign Entities.

1. Registering a new Limited Liability Company (LLC)

1.1 Legal requirements

- A corporate name must be reserved at the local Chamber of Commerce.
- An application form must be completed.
- Articles/Memorandum of association must be drafted and signed.
- For each corporate shareholder: a certificate of incorporation; articles of association/charter, last filed financial statements and a power of attorney in favor of a Kurdistan region lawyer is to be signed by the authorized signatory of the corporate shareholder.
- For each individual shareholder: a passport copy and/or other local identifications, and a power of attorney in favor of a Kurdistan region lawyer to be signed by all individual shareholders.
- A copy of the leased premises' contract in the Kurdistan region.
- Evidence of residency of proposed managing director in the Kurdistan region.
- A minimum share capital for an LLC of 1 million IQD must be fully paid up prior to completion of the registration process (oil services companies shall have a minimum share capital of 2 billion IQD).
- An LLC must have one managing director and must appoint a statutory accountant and a statutory lawyer. The latter two must be Iraqi nationals while the managing director could be a foreign national.

1.2 Practical guidelines

- Incorporation time: 15 – 20 business days.
- An LLC can be wholly owned by a foreign citizen or a foreign entity.
- The maximum number of shareholders is 25.
- An LLC may engage in any activity other than banking, financial investments and insurance.
- An LLC is required by law to hold two General Assembly meetings per year.
- An LLC is allowed to own real property even if wholly owned by a foreign citizen or a foreign entity.
- An LLC incorporated in the Kurdistan region cannot operate in Federal Iraq.
- An LLC incorporated in the Kurdistan region can open a branch in Federal Iraq.
- An LLC is subject to the classification requirements of the Ministry of Planning when such classification is required to enter into a certain contract or tender.
- An LLC can own a motor vehicle but its foreign shareholders cannot own such vehicles in their own names unless they hold a one year residency permit.
- An oil services LLC needs to win a contract with an operating oil company in order to be granted the preapproval of the Ministry of Natural Resources on its incorporation.

1.3 Foreign entity as a shareholder

In case the LLC will be partially or wholly owned by a foreign entity, the latter must have been incorporated for more than one year. The documents below are to be provided by the foreign entity. All documents must be translated to Arabic and certified at the Iraqi embassy in the entity's home country:

- Articles of Association
- Certificate of Incorporation
- Last filed financial statements
- Resolution to own an LLC in the Kurdistan Region

In case the LLC will be partially or wholly owned by a foreign entity, the latter must be incorporated for more than one year.

2. Registering a branch of a foreign company

2.1 Legal requirements

- An application form must be completed.
- Certificate of Incorporation of the Parent Company registering the branch office.
- Articles of Association/Charter of the Parent
- Company and a Resolution to open a branch in the Kurdistan region of Iraq.
- A Power of Attorney from the branch director and authorized signatory in favor of a Kurdistan region lawyer to undertake registration procedures.
- A copy of the leased premises' contract in the Kurdistan region.
- Evidence of residency of proposed managing director in the Kurdistan Region.
- All documents must be translated to Arabic and certified at the Iraqi embassy in the entity's home country.
- A branch must have one managing director and must appoint a statutory accountant and a statutory lawyer. The latter two must be Iraqi nationals while the managing director could be a foreign national.

2.2 Practical guidelines

- Incorporation time: 10 – 12 business days.
- Branches of foreign companies must keep the same name and ownership structure of the parent company.
- The parent company is financially and legally liable for the branch's activities.
- Branches of foreign companies cannot own real property.
- The approval of relevant syndicates for the branch registration is more costly than the same approvals required for the incorporation of an LLC.
- Branches of foreign companies can own a motor vehicle.
- Branches of foreign companies are exempt from the classification requirements of the Ministry of Planning.
- Branches of foreign companies registered in the Iraqi Kurdistan region cannot operate in Federal Iraq.
- The parent company needs to have been incorporated for more than a year in order to be allowed to register a branch in the Kurdistan Region of Iraq.
- A branch of a foreign oil services company is not required to secure a contract with an operating oil company in order to be granted the Ministry of Natural Resources preapproval on its registration.

Branches of foreign companies registered in the Iraqi Kurdistan Region cannot operate in Federal Iraq.

3. Residency permits

- Locally incorporated LLCs and branches of foreign companies have the same rights regarding residency permits.
- The LLC or the branch, is the only required guarantor for the issuance of residency permits for the company's director, shareholders and employees.
- Individuals entering the Kurdistan region through a visa issued by the Iraqi embassy are not eligible for residency permits.
- The Ministry of Interior issues two types of visas: visit visas and work visas. The latter is the only type of visa enabling the foreign individual to issue a residency permit.

Registered companies and branches of foreign entities are required to make annual corporate tax filings with the Income Tax Directorate (ITD), and make payment of corporation tax, by 30th of June following year-end (Note: the statutory filing deadline is 31 May, but a 1 month extension is in practice applied by the tax authority to all businesses).

Currently, three industrial free zones are under consideration as approved projects by the Board of Investments. They are the Duhok, Erbil and Slemani industrial zones.

4. Import – Export

- All companies are allowed to issue an import/export license.
- The type of products that needs to be imported must be specified in the license application.
- The ports of entry that will be used by the company need to be specified in the license application.
- Once the license is issued, it must be notified to the relevant ports of entry.
- A ceiling for the value of goods imported throughout the year must be specified in the license. Once the limit is reached, imports are suspended until the ceiling is adjusted accordingly.

5. Labor law

- No minimum requirement on the number of local employees in a company is imposed on all types of entities.
- All employment agreements must be either in Arabic or bilingual, with Arabic being the prevalent language.
- No work permits are required for local or foreign employees. Foreign employees can legally perform their duties based only on their residency permit.
- Legal disputes arising out of the employment relationship fall under the jurisdiction of a special labor court.

6. Free zones

- Currently, three Industrial free zones are under consideration as approved projects by the Board of Investments.
- The Duhok industrial zone is already implemented and more investors are sought to submit proposals for industrial projects. The Erbil industrial zone has reached the final setup stage and soon investors will be requested to submit their proposals for prospective projects. The two Sulemani industrial zones offer great potential for investments; one of the zones is currently being developed, and, master developers are being sought for the other one to propose scenarios of developing the area for industrial projects.

Taxation

As a semi-autonomous Region, the Kurdistan Region has introduced certain tax laws and practices that diverge from the position in Federal Iraq. This section discusses corporate income tax; including issues such as compliance, income tax rate, and loss carry forwards.

Transfer pricing, capital gains, withholding tax, employment tax, social security contributions, VAT/sales tax and import, export and customs duties are also discussed.

1. Corporate tax

1.1 Compliance

- Entities are required to register with the Income Tax Directorate (ITD) in Kurdistan Region for corporate income taxes.
- The Income Tax Directorate (ITD) typically requires Kurdistan entities to complete the tax registration by way of their first corporate tax filing.
- Registered companies and branches of foreign entities are required to make annual corporate tax filings with the ITD, and make payment of corporation tax, by 30th of June following year-end (Note: the statutory filing deadline is 31 May, but a 1 month extension is in practice applied by the tax authority to all businesses).
- The penalty for late filing is currently 10% of the tax due, capped at IQD 75,000 per year.

1.2 Corporate income tax rate

- The current corporate income tax rate for all industries is a flat rate of 15%.
- According to the tax law, if supporting books and records are maintained, corporate income tax should be calculated based on the net accounting profits per audited financial statements.
- In the absence of audited financial statements and supporting documentation, it is not uncommon for the ITD to assess corporate income taxes based on pre-determined industry sector deemed profit schedules.

1.3 Loss carry forwards

Kurdistan Income Tax Law No. 26 of 2007 and its subsequent amendment Law No. 20 of 2011 are both silent about loss carry forwards, but in accordance with Iraqi Income Tax Law No. 113 of 1982 as amended in 2003:

- Losses incurred during the year may be carried forward for a maximum of five consecutive years, to be offset against profits generated from the same source as the original loss.
- Up to 50% of the taxable income in a year may be sheltered by brought forward tax losses.
- To the extent that an entity is loss making, the tax authority may seek to assess the entity on a deemed profits basis, which would effectively disregard any losses incurred in the current year and deny the entity of tax relief for carried forward losses in future periods.

2. Transfer pricing

- There are no formal transfer pricing rules in Kurdistan Region.
- The tax authority, however, reserves the right to adjust transactions, for tax purposes, which they consider not to be at arm's length.

3. Capital gains

- There is no separate capital gains tax regime in Kurdistan Region.
- Gains and losses realized by a Kurdistan entity on disposal of non-current assets is classified as ordinary income and is subject to corporate income tax at the applicable corporate income tax rate.
- The tax law does not specifically provide for a tax on gains realized by a non-resident. However, there are provisions included within the tax law which the tax authority could use to seek to assess tax on a gain realized from the disposal by a non-resident of Kurdistan assets.

4. Withholding tax

- In practice, there is no withholding tax on dividends.
- A tax of 15% should apply to payments of interest to non-residents but this is not always consistently applied.
- The Kurdistan Region does not currently impose withholding taxes on service payments.

The current income tax rate for all industries is a flat 15% calculated based on the net accounting profits per audited financial statements; however, it is not uncommon for the ITD to assess corporate income taxes based on pre-determined industry sector deemed profit schedules.

The Kurdistan Region does not currently impose withholding taxes on service payments and dividend payments.

Employees working in the Kurdistan Region are subject to personal income tax at a rate of 5% on their income in excess of IQD 1,000,000 per month.

5. Employment tax

- Entities registered in Kurdistan Region must register with the ITD for employment taxes with respect to their employees working in Kurdistan.
- Employment tax filings are due annually by 30th of June following year-end.
- Employees working in the Kurdistan Region are subject to personal income tax at a rate of 5% on their income in excess of IQD 1,000,000 per month.
- Social security contributions withheld from the employee are deductible when calculating taxable income.
- Both foreign and local Iraqi national employees are assessed tax on the same basis.

6. Social Security contributions

- All employers operating in the Kurdistan Region are required to remit Social Security and Pensions Contributions (SSPC) for their employees in the Kurdistan Region.
- There are two components to the SSPC: Employees are required to contribute 5% of their monthly salary. The employer deducts at source this amount from the employee's salary.
- Employers are required to pay 12% of the salary in respect of their employees working in the Kurdistan Region of Iraq.
- Exemptions are available to foreign nationals working in the Kurdistan Region if covered in their home country and proof of coverage is documented with the social security office.
- Such proof must be authenticated by the Iraqi embassy in the country where the foreign employee resides.

7. VAT/Sales tax

- There is currently no VAT or sales tax levied on goods or services in the Kurdistan Region.

8. Import, export and custom duties

- Under Iraq domestic legislation, customs duty on goods brought into Iraq is generally 5% of the CIF value of the goods imported.
- Customs duty exemptions may be available for goods and equipment imported in connection with upstream oil and gas activity, or goods imported on a temporary basis.

Investment Law

Law No 4 of 2006, Law of Investment in the Kurdistan Region (the "Investment Law") provides for tax incentives and exemptions for foreign investors in the Kurdistan Region who are involved in certain qualifying projects.

Law No 4 of 2006, Law of Investment in the Kurdistan Region (the "Investment Law") provides for tax incentives and exemptions for foreign investors in the Kurdistan Region who are involved in certain qualifying projects. The Investment Law sets out specific projects which are considered to qualify for an investment license. In general, projects involving vital sectors, such as electricity, agriculture, health and environment, infrastructure and education, etc. qualify as eligible projects.

1. Key provisions of the Investment Law

According to the Investment Law, projects which qualify for an investment license (and which have obtained the requisite approvals) should benefit from:

- Total ownership of project land allowed, except investors may not own land containing oil, gas or mineral resources.
- Full repartition of project investment and profits.
- A foreign investor shall be entitled to send his capital back abroad upon winding up or disposal of the Project without prejudice to applicable laws and regulations regarding taxes and customs.
- Exemption from the following taxes:
  - » All non-custom taxes and duties for a period of ten years from the date production commences or the date services are offered.
  - » Custom duties on imports of spare parts up to 15% of project cost.
  - » Custom duties, taxes, import licenses on imported vehicles, equipment, instruments, etc, provided they are imported within two years of approval by the Investment Commission Chairman.
  - » Custom duties and taxes on imports of linens, carpets, furniture and other renovation items once every three years for hotels, hospitals, universities, schools, and tourist institutions.
  - » Custom duties for five years on imports of raw materials for production.
- Employment of foreign workers provided no capable Iraqis are available. Foreign workers may repatriate earnings.
- Equal treatment of foreign investor and capital as national investor and capital.
- An investor may transfer his investment totally or partially to another foreign or to a national investor, or may assign the project to his partner with the approval of the board.
- Services provided by the Kurdistan Regional Government to the boundary of the project, such as water, electricity, sewage, public roads, telecommunications, etc.
- Foreign or domestic insurance and additional incentives for projects in "less developed areas" and "joint projects" between Kurds and foreigners.
- Protection under the Supremacy of Kurdistan Law (Art. 115 of Iraq's Constitution) whenever there is any contradiction between this law and "other relevant laws," the provision of this law shall be applicable.
- An investor's initiative and technical know- how are protected under this law and any person, by virtue of his post, who discloses any information, will be punished.

2. Eligible projects

The provisions of this Law shall apply to the projects approved by the board in one of the following sectors:

- Manufacturing industries, electric power and related services.
- Agriculture, whether crop growing farms or animal farms, forestry and related services.
- Hotels, tourist and recreational projects, funfairs, and amusement parks.
- Health and environment.
- Science and technology research, and information technology.
- Modern communication and transport.
- Banks, insurance companies, and other financial institutions.
- Infrastructure projects, including construction, reconstruction and housing projects, roads and bridges, railways, airports, irrigation and dams.
- Free zones, modern commercial markets, and relevant advisory services.
- Education at all levels, within the framework of the educational policy of the Region.
- Any project in any other industry which the council agrees is covered by the provisions of this law.

3. Licensing procedures

In order to avail of the provisions of the Investment Law, the Kurdistan entity is required to obtain an investment license in respect of the specific project. The following are necessary procedures when submitting a request:

- The entity is required to submit an application to the Board of Investment accompanied with documentation that would assist in obtaining the exemption e.g. description of the project, copy of the contract (if available) and a summary of how the project would contribute to the development of the Region.
- The board will have to decide on the application within 30 days from the date of fulfillment of the technical, legal, and economic conditions and requirements.
- The board shall then consult with competent authorities on the advantages of issuing the license and such authorities will give their viewpoint for the acceptance, rejection or amendment request within 30 days from the date of the board's referral of the application to them.
- If the application is rejected, the applicant may raise an objection to the president of the council within 15 days from the date of the rejection notice.
- The president of the council will have to respond within 30 days and his decision shall be conclusive.

In order to avail of the provisions of the Investment Law, the Kurdistan entity is required to obtain an investment license in respect of the specific project.

Full repartition of project investment and profits is allowed and upon liquidation or disposal of the project, a foreign investor shall be entitled to send his capital abroad.

Local statutory accounting and auditing requirements

There is a requirement for Iraqi entities to submit annual audited financial statements to the Companies Registrar and General Commission for Taxation. The financial statements must be in Arabic and in accordance with Iraq's Unified Accounting System (IUAS). Strictly, Iraqi corporate law requires that Iraqi entities maintain Arabic accounting books and records inside Iraq.

1. Local statutory accounting requirements

- For companies that maintain an ERP system in a language other than Arabic, all of the General Ledger line item transactions as shown on the ERP system must be translated into Arabic on a monthly basis in compliance with statutory requirements.
- For companies that maintain their books and records under International Accounting Standards, an annual conversion to the Iraq Unified Accounting System is mandatory.

There is a requirement for Iraqi entities to prepare annual financial statements in Arabic and in accordance with the Iraq Unified Accounting System (IUAS).

2. Local auditing requirements

- Under Iraqi law, an entity must engage with a local licensed auditor to sign off the audited IUAS financial statements. It is noteworthy to mention that currently, none of the international accounting firms have a local audit license to be able to sign off on the IUAS financial statements.
- The audited financial statements must also be signed off by the company's managing director in the case of an LLC or by the branch manager in the case of a foreign branch.
- A third signature from the company's statutory accountant is required.
- Once signed off, the local licensed auditor and/or the accountant must have the audited financial statements stamped by the Institute of Accountants and Auditors.
- Typically, five originals are needed:
  - » Two original copies to be kept by the company
  - » One original copy to be kept by the local auditor
  - » One original copy to be submitted to the Companies Registrar on or before April 30th following year-end
  - » One original copy to be submitted to the General Commission for Taxation on or before June 30th following year-end

3. Brief history of Iraq's Unified Accounting System

- Work on the Unified Accounting System in Iraq started in April 1979 by the establishment of a committee which was formed by representatives of various governmental institutions and accounting experts.
- The aim was to establish a Unified Accounting System for the government directed economy at that time to facilitate more accurate decision making and firm financial control.
- The final version of the guide to the Unified Accounting System was presented in March 1981.
- The primary objective of the Unified Accounting System is to provide a standardized and uniform chart of accounts that is rigorously applied and used across various industries.
- It provides for a rigid numbering scheme for asset accounts, liabilities, equity, revenue and expenditure accounts and for multiple sub-accounts per category.
- It also provides for unified depreciation methods and tables by industry sector and asset type. The financial statement presentation follows that numbering scheme and provides for a uniform design to all financial statements with extensive statements, analysis and tables to support every single line.

4. IUAS manual and guide

- The Unified Accounting System (UAS) manual consists of the following main chapters:
  - » The general framework of the chart of accounts
  - » Explanations of the chart
  - » Handling of transactions
  - » Accounting books
  - » Financial reporting
  - » Guide to depreciation and amortization schedules
  - » Costing in light of the UAS
  - » Budget planning
  - » National accounts
  - » Mechanization of UAS
- The guide to Unified Accounting System includes the basic forms of the financial statements that are believed to satisfy the needs of all users:
  - » The balance sheet
  - » Manufacturing, trading, profit and loss, and appropriation account
  - » Profit and loss account for completed contracts
  - » The statement of current operations
  - » The statement of the total added value
  - » The statement of the distribution of total added value
  - » The accompanied detailed statements (disclosures and footnotes)

This guide has been written in general terms and therefore cannot be relied on to cover specific situations; application of the principles set out will depend upon the particular circumstances involved and we recommend that you obtain professional advice before acting or refraining from acting on any of the contents of this guide. Deloitte, Deloitte & Touche (M.E.) and Deloitte & Touche Management Consulting, WLL would be pleased to advise readers on how to apply the principles set out in this guide to their specific circumstances. Deloitte, Deloitte & Touche (M.E.) and Deloitte & Touche Management Consulting, WLL accept no duty of care or any liability for any loss occasioned to any person acting or refraining from action as a result of any material in this guide.

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Deloitte is among the region's leading professional services firms, providing audit, tax, consulting, and financial advisory services through 26 offices in 15 countries with around 3,000 partners, directors and staff. It is a Tier 1 Tax advisor in the GCC region since 2010 (according to the International Tax Review World Tax Rankings). It has received numerous awards in the last few years which include Best Employer in the Middle East, best consulting firm, and the Middle East Training & Development Excellence Award by the Institute of Chartered Accountants in England and Wales (ICAEW).

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HUMAN CAPITAL SNAPSHOT

INVESTMENT TIP

Written and spoken English proficiency often presents challenges; professionalism in writing and communication is sometimes found lacking; and basic to intermediate computer skills can need touching up. These skills can be developed at many different professional development and training centers and institutes.

The Best Investment

Major investments in the Kurdistan Region's higher education system are helping to develop well-trained human capital.



The KRG Ministry of Higher Education

The KRG Ministry of Higher Education is implementing guidelines to ensure quality in higher education across the Kurdistan Region and teaming with key players in the regional economy to ensure that new graduates have the skillset and experience to succeed in the local workplace. The Ministry runs two-year technical institutes and four-year technical colleges across Kurdistan that are managed under three polytechnic universities representing the Erbil, Slemani, and Duhok governorates.

The Ministry's strategy is to prevent higher education from becoming a commercial product. In accordance wit this policy, the Ministry has weighed applications for new private universities against the key metrics of a Quality Assurance Plan for higher education that it adopted in 2011, approving just 3 out of the 18 proposals for new private universities it has received since that time. The strategy also establishes a system to evaluate teaching methods, course materials, exam design, and lecture styles in parallel with a planned accreditation system to ensure that institutes, colleges, and universities conform to acceptable academic standards.

LIST OF THE UNIVERSITIES

A growing number of universities in Kurdistan are establishing connections with their peers abroad in an effort to expand opportunities for their students and benefit from international expertise.

Public Universities

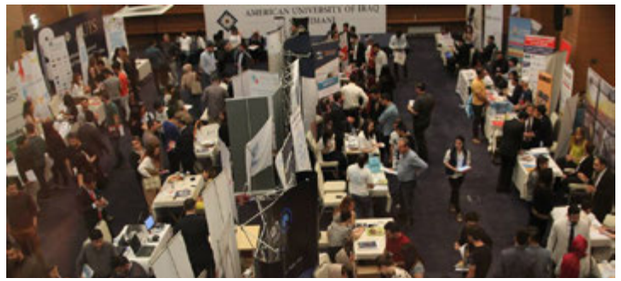
1. University of Duhok
2. University of Koya
3. University of Kurdistan - Hawler
4. University of Raparin
5. University of Salahaddin
6. Soran University
7. University of Sulaimani
8. Sulaimani Polytechnic University
9. University of Zakho
10. Duhok Polytechnic University
11. Erbil Polytechnic University
12. University of Halabja
13. University of Garmian
14. Hawler Medical University

Skilled Professionals Needed

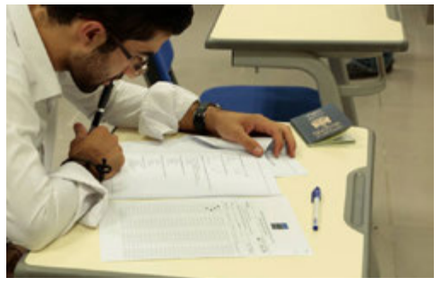
Authorities within the KRG have recognized the need to better tailor higher education in both universities and technical institutes to the skillsets demanded by local and international firms operating in the Kurdistan Region. Many international and local firms cannot find applicants with the technical backgrounds and communication abilities necessary to fill available jobs. In its "Roadmap to Quality," the Ministry acknowledged the imperative to make higher education in Kurdistan more relevant and effective.

Universities and technical institutes themselves often struggle with obsolete course materials and fail to provide opportunities for students to receive on-the-job training or real world experience, resulting in new graduates finding themselves at a competitive disadvantage in the labor market. This situation has contributed to the growing momentum behind efforts to bring higher education and business leaders together in an institutionalized way to design a modern, continuously updated curriculum that ensures students are ready to enter the job market when they graduate.

Authorities within the KRG have recognized the need to better tailor higher education in both universities and technical institutes to the skillsets demanded by local and international firms operating in the Kurdistan Region.















Human Capacity Development Program

The KRG has founded a Human Capacity Development Program that seeks to cultivate professional skills and leadership abilities among students from the Kurdistan Region by giving them the opportunity to earn a degree abroad. In 2014, the program gave 4,351 of the Region's most talented students the opportunity to study abroad for the 2014 academic year with the help of government-sponsored scholarships. During the same period, 670 of those students finished their foreign academic pursuits and returned to join Kurdistan's labor force.

The Workforce:

- Large
- Young
- Yearning for Professional Development

Perhaps more than any other sector, Kurdistan's quickly expanding workforce contains arguably the most potential to reshape the Kurdistan Region's business, economic, and social landscape for the better, over the long term. This untapped potential is a result of several factors coming together, including latency in the professional capacities of the Region's workforce, a major demographic skew towards younger generations, and the influx of investment that has swept into the Region over the past decade.

PRIVATE UNIVERSITIES

The KRG aims to accommodate more Kurdistanis are in the private sector than ever before. Therefore, an increased focus on higher education is qualifying more Kurdistanis for sophisticated jobs.

1. American University Kurdistan, Duhok
2. American University in Iraq-Sulaimani
3. Cihan University
4. Ishik University
5. Komar University of Science and Technology
6. Lebanese French University
7. Nawroz University
8. Sabis University
9. University of Human Development, Sulaimani
10. Hayat University

Employment must shift to the private sector!

The vast majority of Region's workforce is employed in the public sector. Creating increased employment opportunities in the private sector is among the most important factors in insuring social and economic health in Kurdistan. This will require increased local entrepreneurialism, increased foreign direct investment, or privatization of some government functions.

Public sector employment remains one of the largest sources of employment for the people of Kurdistan. Since 2006, public employment has been a vehicle for the government to address the lack of employment opportunities for locals.

The KRG's public sector already employs a far outsized percentage of its population in its bureaucracy and direct government employment, state owned enterprises, and public-private initiatives. Indeed, as of 2012, only 20% of all wage-paying jobs in the Kurdistan Region were in the private sector. This statistic, however, is untenable—something which the KRG's leadership understands—and is changing.

The median age of the Kurdistan Region is only 20-21 years, meaning that the working age population is set to expand massively in the coming decade, which the already bloated public sector certainly cannot absorb. It is estimated that the Kurdistan Region will add between 850,000 and 1.1 million new employees to its workforce in the coming 20 years—equivalent to over 20% of the Region's entire current population, and 100% growth on current employment figures.



IOCs employ 4,137 people in Kurdistan, 63% of whom are locals.



The MNR has set a target of reaching 90% local employment in the energy sector by 2016.

The Leader: MSelect

Some of the biggest momentum for capacity development and training, and private sector employment, comes directly from the private sector.

The leader in this field is MSelect in Kurdistan and Iraq. MSelect is a recruitment agency, has the most promising training and development center, as do specific sector oriented companies.

MSelect is the premier recruitment and staffing provider for Iraq, including the Kurdistan Region. The company's staffing experts provide a premium service for corporations that operate in what can be a difficult part of the world to navigate.

MSelect also works in collaboration with the world-known institutions such as World Bank's International Finance Corporation (IFC). MSelect has been selected by the IFC to lead Business Edge courses in Kurdistan and Iraq in English, Arabic and Kurdish. The program is active in 30 developing countries, in 10 languages, covering 59 individual topics, tailoring its programming to the needs of local workers, and seeking broadly to improve the professional competencies of employees.

The Ministry of Natural Resources (MNR)

International oil companies (IOCs), as part of their Production Sharing Contracts (PSCs) with the MNR to explore and produce oil, must contribute a certain percentage of their income towards the MNR's capacity development programs.

The MNR has set a target of reaching 90% local employment in the energy sector by 2016. The 64% of current local employment by the IOCs in Kurdistan is largely concentrated in the lower rungs of the employment ladder—largely in unskilled and semi-skilled labor, where locals represent 88% and 95% of the workforce, respectively. Moving locals into more executive, senior, and managerial positions is a long-term goal of the MNR, but one which will take time, as education and experience accrue among the local IOC workforce.

Insight

Shifting Trends of the Kurdistan Job Market

ALLEGRA E. KLEIN • CHIEF OPERATING OFFICER, MSELECT

The Kurdistan region has experienced a series of economic blows in the past 18 months, the effects of which have been profoundly felt in the job market, particularly in the private sector. With the advent of the Islamic State (ISIS), drastically reduced oil prices, and a freeze on funds from the central government of Iraq, the region is struggling to maintain financial stability.

This triple threat has led to two key developments directly affecting the workforce in the region:

- A scaling down of the Oil & Gas industry's activities
- An influx of refugees from Syria and internally displaced persons (IDPs) from other parts of Iraq who are fleeing ISIS.

The first development has resulted in the downsizing and, in some cases, loss of jobs in the Oil and Gas sector, whereas the second has occasioned an increase in employment opportunities within international non-government organizations (INGOs) and aid agencies such as the United Nations, who are working to assist the newly displaced populations in the region.

So what does this mean for the local workforce?

Just last year, it was a job-seekers market, with not enough qualified candidates to fill the vast number of vacancies available. Now, however, we have shifted to an employers market, with a sharp increase in workers laid off from their jobs in the O&G sector, joined by a glut of fresh graduates from petroleum and engineering programs.

Furthermore, these newly unemployed are oftentimes applying for INGO vacancies that don't match their qualifications – square pegs trying to fit into round holes. Add to that the influx of jobless refugees and IDPs all competing for a dwindling number of available jobs, and you have a radical shift in the employment scene in Kurdistan.

As a result, we are finding that a whole new and different set of skills and expertise are needed in order to fill the available vacancies. For example, qualified social workers are now in great demand, while engineers and drilling experts much less so. People with previous NGO experience are now more highly valued than those with a corporate background.

However, it is still possible for job-seekers to make the transition, especially if they have experience with skills such as accounting, administration/logistics and human resources (HR), which are also needed for INGOs. And if they have previously worked with international companies, that's an added bonus since most development work entails interaction in a multicultural setting.

Another effect of the changed job market has been on the training and capacity building sector. As workforce development needs have changed, we have seen a rise in demand from job-seekers for basic business skill sets such as HR, Project Management, and Finance.

Additionally, we are seeing a new need for vocational training for INGO beneficiaries. Among the most requested "hot" topics are Administrative Skills, Customer Service, Retail Sales, Hospitality, and Basic Security Guard, in addition to the more traditional English Language and Computer Software skills. And INGOs are also looking for professional training for their internal staff in subjects like Communication Skills, Supervisory Skills and Team-Building.

At MSELECT, we have seen a dramatic increase in requests from all kinds of international organizations in the region, both for recruitment and training services. In 2015, we conducted a 6-month capacity building project for USAID which involved opening six centers throughout Iraq (three in Kurdistan) to train job-seekers – including large numbers of IDPs – in employment and vocational skills. More than 11,000 trainees participated in this project. Since then, several other major INGOs have sought our assistance with similar activities.

So what does the future hold for the job market in Kurdistan?

As long as conflict persists in the region, international aid organizations will maintain a presence and continue to have a profound effect on the local workforce. Sectors supporting these institutions, such as hospitality, retail, and real estate, will also be active, as will companies that provide training and capacity building services.

Meanwhile, other sectors are on the rise, including new entrants in technology such as IT and networking companies, and construction is making a comeback as more and more international agencies establish a presence in the region.

Until the O&G sector returns to full capacity, government funds are replenished, and ISIS is pushed out, the key to surviving in this new economic environment – for both employers and job-seekers – will be the ability to adapt.

British Council in Kurdistan



David Pardoe —
Director, British Council – Kurdistan Region

IIG talks to David Pardoe on the British Council's current and future activities in the Kurdistan Region.

Could you brief our readers regarding the British Council's activities in the Kurdistan Region?

The British Council is the United Kingdom's official cultural organization. Our purpose is to create international opportunities for the peoples of the UK and other countries and build trust between them worldwide. In the Kurdistan Region of Iraq we have been working for many years and opened an office in Erbil in 2009. Our main areas of work are in English language teaching, Education and the Arts.

What are your plans and objectives for 2016?

In 2016 we have an exciting program of activities, including supporting the Ministry of Education to improve English Language teaching by providing training in "English for Teachers" as well as workshops in methodology, we will be launching a global publication based on research in Kurdistan, entitled "English medium instruction in Iraq Kurdistan", presenting the perspectives of lecturers in Kurdistan universities.

We have contracted a consultant on Refugee Education to advise us on how best we can support Kurdistan in building resilience through English teaching for IDPs and Syrian refugees in the region. In February another consultant will be advising MHE on an English preparatory year program at Charmo University. We have a program of work with schools called "Connecting Classrooms" and we will be launching a major EU project working with schools in Iraq, including in KRI. 2016 is the 400th anniversary of William Shakespeare's birth so we are running the "Shakespeare Lives" program, including a live theatre performance in Erbil in April, led by the world famous Globe Theatre from London among other activities.

We will be launching a global publication based on research in Kurdistan "English medium instruction in the Kurdistan Region of Iraq" perspectives from lecturers in Kurdistan universities.

Are Kurdish students showing significant interest in studying in the UK? What are your plans to increase more awareness?

Yes, Kurdish students greatly value studying in the UK and it is a popular choice for students in Kurdistan. We will continue to support UK universities in their campaigns to promote their courses in the UK. We have an exams center in Erbil for the IELTS test which is a requirement for all students going to the UK to study.

You have recently signed an agreement with Sulaimani Polytechnic University to deliver online English courses. Could you give us more information regarding this partnership, and also your cooperation with other Universities in the Kurdistan Region?

We passionately believe that the future of learning in Higher Education is digital and we have offered to partner with all universities in the Kurdistan Region on our Learn English Connect courses. Learn English Connect is an exciting and innovative blended learning course which enables university students to study a British Council English course at their usual place of study. The Sulaimani Polytechnic University is the first in Kurdistan to sign this partnership with us.

About

David Pardoe has been working as the Director of British Council in the Kurdistan Region since 2015. He holds a B.A. degree from the Nottingham Trent University, and a Master degree from the University of Manchester.

Insight

Ensuring the Protection of Minorities within the Kurdistan Region

SAMUEL MORRIS • MERI RESEARCH FELLOW



Kurdistan's myriad of ethnic and religious minorities is becoming an anomaly, in an increasingly homogeneous region. Kurdistan provides a home to often persecuted minority groups such as, Yazidis, Kaka'is, Christians (Armenians, Chaldean Assyrian and Syriacs), Zoroastrians, Mandaeans and Baha'is.

The many years of sectarian conflict that have plagued Iraq have created rifts that are difficult to bridge. To remedy this, confidence building measures are needed and a process to engage minority groups in the decision making process is required. Stability and security can only be achieved through genuine political participation. Iraq as a whole will have to learn this lesson if it is ever to bring its varied ethnic and religious communities back together. Therefore, if the Kurdistan Region hopes to maintain lasting stability and independence, it should ensure the rights of its communities are met.

To give minorities a stronger voice, a unique mechanism which guarantees true representation for the Kurdistan Region's diverse ethno-religious constituency is required. With this in mind, two councils should be formed to represent both religious and ethnic groups. The role of such councils should be to develop polices and legislation for the KRG that protects minority groups. Similar projects have been successful in Romania, Serbia, Bosnia and Croatia, who have developed similar councils established with the aim of providing advice, monitoring rights and providing minority groups with a voice, at the highest level. The creation and establishment of two councils should not replace the current process of minority representation in the Kurdistan Parliament as it neither conflicts with their objectives or their authority. In fact, it bolsters the influence of these representatives by institutionalizing the rights of minorities.

The drafting of the Kurdistan Region's constitution is also a unique opportunity to reconsider the Region's system of governance while fostering an increasing level of democratization. This can be achieved through the provision of rights for all who reside within the region despite their religious and ethnic background. This will lead to an improvement in levels of social justice, a vital factor required to maintain peace, stability and security.

The system of governance in Kurdistan should be able to provide the adequate provision of rights that minority communities require. Otherwise, it is not an attractive model for these communities living in the disputed territories, the majority of which the KRG is now in control of, which become a major barrier in the future. More should be done to protect the cultural, educational, linguistic and religious rights of ethnic and religious minorities in the Kurdistan Region. This would ensure lasting stability and build confidence among the myriad of minorities that are based within the Kurdistan Region.

Insight

Resilience-building in the Kurdistan Region

ROGER GUIU • MERI RESEARCH FELLOW

Until 2014, the humanitarian response plan for the Syrian refugee crisis in Turkey, Iraq, Lebanon and Jordan was focused on providing refugees with life-saving assistance. Since then, a new plan endorsed by international actors includes a resilience component in parallel to the life-saving component. This new component aims to move from solely providing humanitarian assistance to supporting long-term self-reliance between both the refugee and host communities equally. For the near 240,000 Syrian refugees in the Kurdistan Region, building resilience means reducing people's external dependency and providing communities and institutions with an increased capacity to absorb future crises.

In the development context, resilience building combines two dimensions: human resilience is based on peoples capacity to sustain their own livelihoods, while institutional resilience is based on the capacity of the national system to meet and maintain the delivery of public goods and services.

How far is the situation to be resilient for the refugees in Kurdistan? In terms of human resilience, in spite of the economic slowdown, rates of participation in the labor force are very similar between refugees and the host community. 57% of the male adult population and 6% of the female adult population are employed. A policy of free movement in and out of the camp and the facilitation of work permits allow refugees to freely pursue employment opportunities. However, the employment situation, in terms of type and quality of jobs, severely undermines refugees' livelihoods. Due to the functioning of the regional labor market, refugees mostly work in unskilled and temporary positions, irrespective of their qualifications. As a general result, the average household income is largely lower for refugees if compared to the host community.

In addition, there has been a successful focus on supporting business entrepreneurship within refugee camps. However, it must be taken into account that the camp setting is a closed economy, with a very limited market. There is a substantial risk to fall into an excess of internal competition and non-profitable businesses in the camps if barriers are not addressed. A crucial barrier, for instance, is the legal constraints on refugees to establish a business outside of the camp, because their property rights are not recognized.

Regarding institutional resilience, the provision of public services in Kurdistan is non-resilient, in the sense that the capacity and delivery mechanisms were largely constrained. This was true in many sectors, such as education, health or municipal services, even before the onset of the crisis. There was no buffer capacity to absorb shocks, due to historical underinvestment, and there is currently no financial room for quick response actions.

Key principles to take forward

Building resilience is definitely in the hands of both the humanitarian actors and the KRG; however, combined interventions are required.

Firstly, livelihoods support that is targeted towards refugees and host community must be boosted, such as building credit and savings facilities, improving the productive value chain in which they participate, supporting employment allocation schemes, encouraging women participation in the labor market and building community trust.

Secondly, institutional resilience cannot be solved at refugee camp level. It depends inevitably on system-wide resilience. International support has to be more targeted towards capacity building within Kurdistan's local authorities, which do not necessarily have the required capacity to ensure access to quality services, both in normal times and time of stress.

Third, advocacy is required for key policy changes in Kurdistan, such as labor market reforms, better protection of employment rights, legal property rights for refugees and participation in safety nets. Crucially, this means that Kurdistan should see the refugee population as assets, rather than as people that need to be taken care of. Their capabilities to initiate private endeavors that can create employment in the host community, which is now legally not allowed, is something to be welcomed in such a situation of economic deterioration.

Decide. Commit. Succeed.



Abdul Salam Medeni —
CEO, Rwanga Foundation

IIG talks to Abdul Salam Medeni on the Rwanga Foundation's current and future projects.

Rwanga Foundation conducts various relief and development projects in the sectors of education, minorities, women, environment, and sports in the Kurdistan Region. How many projects has Rwanga Foundation implemented in the last two years?
From September 2013 to December 2015 Rwanga Foundation implemented 78 projects in Kurdistan through which 858,600 beneficiaries were directly supported by Rwanga Foundation in the sectors of Education, Health, Women, Unsupported Minors, Vulnerable Families, Environment, Sports and Scholarships.

Could you brief our readers more on Rwanga Foundation's current strategic projects? What are the key areas that the Foundation will focus on in 2016?
Rwanga Foundation's vision is a world where quality education is accessible for all. Our strategic aims are: providing services, building capacity and designing policies. Inspired by these goals, Rwanga Foundation is working on enhancing the abilities of social researchers in Kurdistan high schools to enhance a positive and productive learning environment. A pilot version of the project is being conducted in Erbil governorate in coordination with the Ministry of Labor, the Ministry of Education and UNICEF. We also are working to promote a culture of volunteerism and a culture of physical education in Kurdistan high schools. For university students we have an intensive program to help them enhance their professional skills. For university graduate students and youth in general we are running the Rwanga Foras web site (which previously was USAID FORAS) in partnership with Silatech organization (silatech.org). The website is the biggest platform in Kurdistan bringing together job seekers and job providers, and also providing e-learning options for job seekers and more features. We are also raising funds to establish a school that can be a model for modern learning which we believe will be unique and prepare students from Kurdistan to compete on an international level.

Kurdistan hosts over 2 million refugees and IDPs. How is Rwanga adapting its programs and approach to account for this?
I want to emphasize that all Rwanga projects and activities, from those targeting high school students (such as helping students think about how to prepare for exams) to projects in which we establish a camp for IDPs, all support our main purpose: to provide people with an environment in which learning processes can be productive. Within this framework and in light of the emergency situation in Iraq and Syria following the attacks by terrorist groups at the beginning of June 2014, Rwanga Foundation was one of the first humanitarian organizations present on the ground. One of the biggest projects implemented by Rwanga Foundation was to establish 'Rwanga Community' in Duhok province which is a camp of 3,000 cabins (containers) to accommodate 24,000 IDPs and it includes all the necessary public services and learning facilities such as a school, a library, a computer lab, and an art and music room). In addition, 292,380 Syrian, Yazidi, Christian, Arab and Turkmen refugees as well as Kurdish displaced people were provided with emergency relief food and non-food items including hot meals, bread, water, juice, canned fish, canned beans, baby milk, baby diapers, women's sanitary napkins, blankets, mattresses, cooking sets, clothes, and shoes. Rwanga Foundation further conducted various successful joint projects with the governments of Germany and the Netherlands, Samaritan's Purse International Relief, the Italian NGO Music for Peace, Khalifa Bin Zayed Al-Nahyan Foundation as well as UAE Red Crescent to provide further aid to Iraqi displaced people who had fled to Kurdistan seeking protection and assistance. All these were done with the aim of resettling these families and to help provide a good learning environment for students.







What is the main purpose of the Rwanga Awards, and in which categories did Rwanga give awards to talented Kurdish youth?
Rwanga Awards is an annual project, which started in 2014, with this being its second year. The main purposes of the Rwanga Awards were to:
· Explore, discover and identify talented youth in Kurdistan;
· Encourage and support these youth to further improve their skills, ideas, and projects;
· Encourage an atmosphere of professional competition among young people;
· Promote a sense of belongingness and ownership among the youth in Kurdistan;
· Prevent young people from becoming involved in negative activities such as abusing alcohol, drugs, or being involved in activities related to ideological extremism;
The main categories of the Rwanga Awards are: Photography, Short Film, Short Story, Scientific Innovation, Solo Musician, Entrepreneurship and Recycling Arts.

Rwanga Foundation's vision is a world where quality education is accessible for all. Our strategic aims are: providing services, building capacity and designing policies.

Our main purpose is to provide IDPs with an environment in which learning processes can be productive.

Insight

Educational Reform & Capacity Building

JACOB SHAPIRO • RWANGA FOUNDATION

At the Rwanga Foundation we believe that education is an investment in future. Education is not only a few lessons in a classroom, or some information transferred from a speaker to a listener but an integral in the creation of a human being, thereby drawing the alignments of a society and reserving an identity for a nation. With a shift in focus towards educational reform, the Rwanga Foundation is now entering a new phase in which it tackles the obstacles faced by the growing number of refugees as well as the local population. After successful implementation of world class logistical performance in aid distribution to the refugees and IDPs throughout the region through local and international partnerships, a new spotlight has been employed. Through the education of all ages in the region, the Rwanga Foundation is building the future one step at a time.

In cooperation with the KRG's Ministry of Education we are now engaging in a number of projects to build capacities and change mentalities through education centered projects to build the future of the Region and to be recognized as an intellectual hub of the Middle East as well as in the world. Through a comprehensive agenda to implement world class standards on an institutional and governmental level, Rwanga has engaged in a wide variety of projects with other organizations to explore the various strengths each can offer and create a lasting synergy through the integration of various aspects of education.

Recently, a training course initiated, funded, and directed by the Kurdistan Regional Government was organized and led by the Rwanga Foundation and UNICEF to discuss the leading techniques and cutting edge methods of altering human behavior with a focus on water conservation in line with Rwanga's focus on educational reform, not only on school curriculum but on the various other elements of education relating to social, economic, and environmental awareness. The Chief Executive Director of the Rwanga Foundation, Abdul Salam Medeni, acted as the head trainer to the attendees of the various sessions, spreading his experience to those who joined. By changing mentalities across all levels of society, you create the capacities to innovate, build, and develop the future of Kurdistan while simultaneously creating increased opportunities within the region and subsequently reducing the need for human displacement towards other parts of the world. In essence, by creating a better Kurdistan, you ultimately build a better and brighter future for all.

Additionally, to create better educational opportunities by helping students to develop their capabilities of learning in the digital age, Rwanga Foundation was called in to join the project for developing and improving education in Kurdistan by empowering social researcher roles in the education sector and resolving issues faced by students in schools. The project was funded by UNICEF, designed by Ministry of Labor and Social Affairs in association with Rwanga Foundation. The introductory meeting attended by the student representatives, parents, social workers, and training center Directors to discuss the challenges and needs of the students. With the pledge to train 100 social workers through skill based improvement and to find a reasonable solution to the problems faced by the students with their schools or families, the project made meaningful reform on a social and governmental level to not only draw attention to the ongoing issues but to begin an active improvement process through the aforementioned departments.

Such projects are the initial steps that the foundation has taken to build the future of Kurdistan for generations to come. In line with our vision of enabling access to a quality education for all, the reform across all levels of society needs to take hold so that we can all work together towards regional development and future success. By changing the mentalities and bringing in alternate viewpoints on the various issues affecting society we help developments towards a more competitive market for education and labor force. In line with the KRG's aim towards a diversified economic and social market we strive to educate those in need and help them enter the competitive job environment in both the public and private sector.

In conclusion, the initial steps are in process with much more to come. By cooperating with other organizations and helping those in need to access a quality education the future of Kurdistan is improving continuously.



Rwanga Community is situated on a rural plot of land which contains substantial and continuous undeveloped and semi-arable land. This aspect creates a strong potential in the future for a level of sustainability within the parameters of the community; IDPs and residents with existing agricultural skills and knowledge, together with NGOs/IOs, will have the ability to benefit and utilize the community's land resources.











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THE REVIEW: **AGRICULTURE**



Discover the Potential

Pressure from low crude prices has led the KRG, like all other oil & gas producing governments, to think beyond oil and to diversify its economy. In light of its huge potential, Kurdistan's agriculture industry could play a leading role in the KRG's economic diversification plans.

Since Kurdistan's economy is largely driven by the oil & gas industry, the agriculture sector has been largely separate from the wider economy despite being identified as a prioritized industry for investment by the Board of Investment in 2007. However, the plunge in oil prices has led to a growing consensus that it is time for a new approach to the diversification of the economy and investing in the fertile land of Kurdistan.

Even though, between 2006-2013, around $1 billion had been invested in Kurdistan's agriculture industry, Kurdistan's agriculture industry has still not reached self-sufficiency in terms of basic food production. The Kurdistan Regional Government forecast an investment of around $3 billion over the next five years in order to attain self-sufficiency for the industry. This, however, was before the financial crisis in 2014. Despite the fact that Kurdistan has the potential to become self-sufficient in food production, Kurdistan's food industry is overly reliant on imports today. More than 90 percent of food products are imported, even though Kurdistan could easily produce at least its primary food requirements locally.

10% Contribution to GDP

9% Population relies on agriculture for their incomes

$ 250 Million
The KRG's subvention (annual)

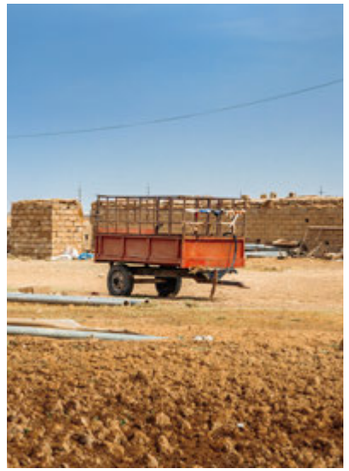
A model of exporting oil and gas in order to import primary food products is not sustainable for the Kurdish economy in the long run. Therefore, the current government is seeking to support local farmers in order to attain self-sufficiency for the Kurdistan Region in a number of areas of agricultural production. The KRG has made limited steps towards implementing a tariff system that would favor local production, but the widespread availability of cheap, foreign foodstuffs continues to inhibit the development of the Kurdish agricultural system.

The Ministry of Agriculture aims to put agriculture once more at the heart of the economy by boosting the local production rate. In accordance with this policy, the Ministry did not allow types of products that were produced locally to be imported in 2015. The policy of supporting local production led to a twenty-eight percent decrease in imports of Turkish and Iranian products to the Kurdistan Region in 2015, according to data from the Ministry of Agriculture.

The Board of Investment statistics indicate that agriculture projects constitute 3% of all projects licensed in 2014 amounting to a total of $704 million (1.79% of all investment). Both of these figures represent a decrease from the corresponding figures Kurdistan Review reported in 2014 and 2015. Agriculture projects in the Erbil Governorate continue to receive the largest amount of allocated land compared to Slemani and Duhok. However, in terms of investment capital by governorate, Duhok leads the way, increasing its share to around 60% of all agriculture investment.

The industry currently provides direct employment to around 5% of the population throughout the Kurdistan Region. The sector generated around 10% of the Region's total GDP, if the KRG provides more support and funding this rate has the potential to reach 30 percent of contribution in the revenues for the government. The contribution of agriculture to GDP must be boosted considering the importance and potential of this industry.

The unique topography of the Kurdistan Region makes it ideally suited to the development of a prominent agriculture industry.





There are three primary reasons for the government to push the expansion of agriculture.

1. The Potential

Kurdistan sits on one of the largest and most fertile lands in the Middle East. Its relatively varied climate allows for a wide range of crops to be cultivated—many of which are in great demand regionally. During the 1960s and 1970s, Kurdistan's diverse and export-orientated agricultural sector was renowned across the region. Kurdistan was the region's biggest exporter of grain, tomatoes and cucumbers. However, continued regional instability, conflicts, and lack of investment have negatively impacted the sector and reduced its appeal for potential new entrants. If Kurdistan once again makes the industry a priority, it will surely benefit from regaining its status as an agricultural powerhouse.

2. Food Security

Kurdistan's economy has experienced unprecedented growth between 2007 and 2014. However, it has become ever more reliant on foreign markets for its food. This is costly, unnecessary, and not sustainable in the long term. The KRG should make agriculture a priority once more, ensuring the region has greater food security.

3. Growth & Employment

Kurdistan's agricultural labor force makes up 6% of the population. The sector has high potential due to the region's growing population. Food demand grew by XXX% between 2007 and 2015 and is forecast to maintain growth of 6% over the period 2015-2017. Supporting farmers and improving their working conditions are key elements for an economic diversification plan.







Wheat Production

Wheat remains one of the biggest crops in the Kurdistan Region.

Production (As of July 2015)
730,000 (2014)
584,000 (2013)

Revenue (As of July 2015)
$428 million (2014)

80%

Production growth
The area of land harvested for wheat has increased by 80% in the last decade.

The KRG purchased 802,000 tons of wheat at a price of $660 per ton
(January - July 2015)

Production

Despite the budgetary restrictions, there have been improvements in local production.

Potato production increased by 153%, and wheat by 103%. The production of other products, such as eggs, increasing by 95%, and vegetables increasing by 93%, has come close to the level of internal demand. Kurdistan's harvest is dominated by wheat, barley, potatoes, onions and tomatoes. The region has a surplus of wheat, potatoes, eggs and onions. Wheat and barley combined constitute a significant percentage of all agricultural production.

Fruit production remains a primary area of need, with statistics indicating that production and infrastructure costs associated with fruit cultivation (specifically those that necessitate orchard development) serve as a deterrent to small-scale local expansion into the sector.

The strongest segment in terms of domestic supply was vegetables, of which 11.4 million tons were produced in 2013, supplemented by just 424,000 tons of imports. Only around 1,000 tons of vegetables were exported.



Top Crops Production
TONS

136,054	34,327	15,204	88,063
TOMATOES	OKRA	EGGPLANT	WATERMELON
47,610	140,000	12K	
CUCUMBER	POTATOES	ONION	

Kurdistan has achieved at least 75% self-sufficiency in terms of its production of cucumbers, onions, and potatoes, and has made strong gains in terms of re-establishing itself as a strong local producer of tomatoes, peppers, watermelons, and eggplants.

In 2015, Kurdistan produced 390,000 tons of meat, 563,000 tons of eggs, and 566,000 tons of milk. The region nonetheless imported 2,756,000 tons of XXX.

While the Kurdistan region's transportation infrastructure has improved by leaps and bounds, it is still largely ineffective at helping connect growers in remote rural areas with the urban centers that require their produce. The process of carrying products to market can therefore be time consuming and deleterious to the quality and condition of produce. Similarly, a lack of storage facilities (specifically cold storage units) provides little incentive for farms in Kurdistan to expand their output capacities. The KRG's development plan prioritizes the construction of new wheat and barley silos. At the moment, Kurdistan has only seven silos, and their storage capacity is about 385,000 tons. However, the KRG has concrete plans to increase that capacity to 1 million tons in the short term.

Investment Tips

Lack of irrigation:
60% of the rivers in Kurdistan originate within the Region. If regulated properly, irrigation in the Region could be complete and effective. Currently, only 11% of the arable land in the Region is sufficiently irrigated.

Silos:
The KRG's development plan prioritizes the construction of new wheat and barley silos. At the moment, Kurdistan has only seven silos, and the storage capacity is about 385,000 tons. However, the KRG has concrete plans to increase that capacity to 1 million tons in the short term.













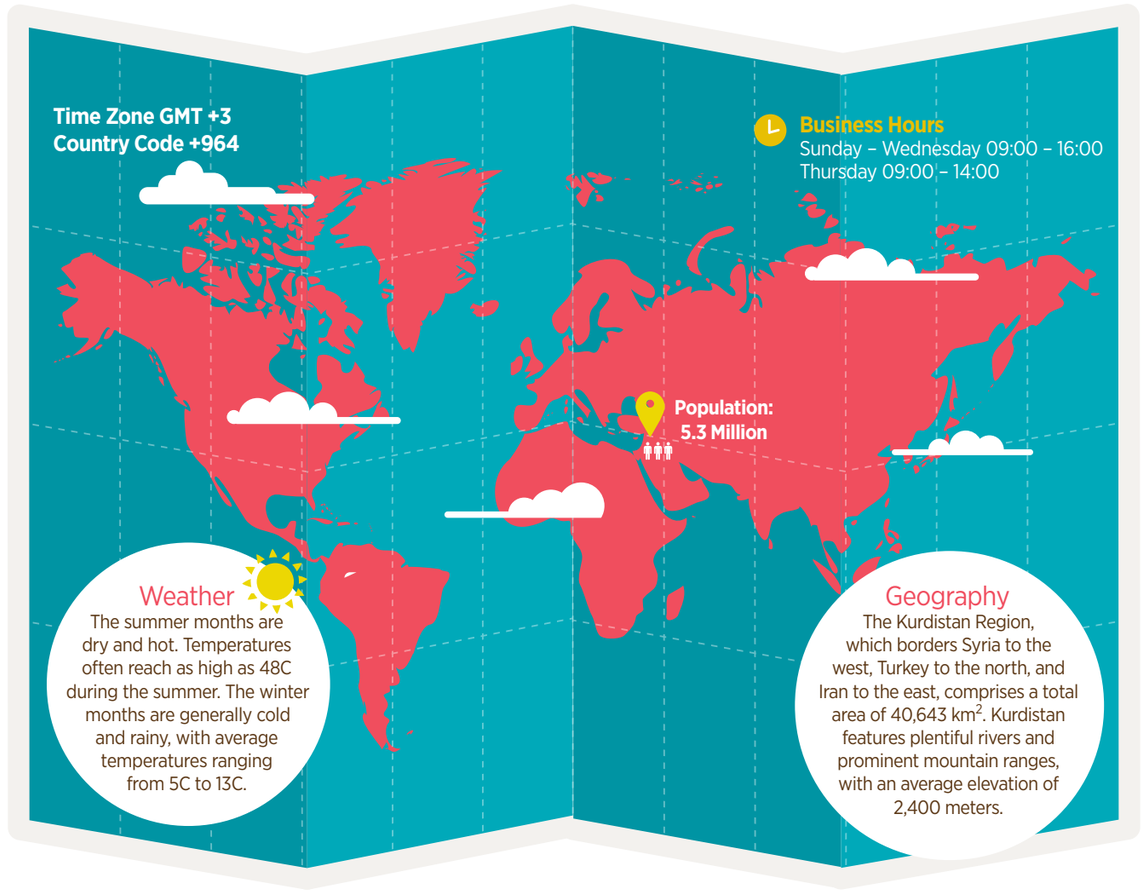








Kurdistan Region



Demographics

The Kurdistan Region is composed of an ethnically diverse populace that includes Kurds, Arabs, Assyrians, Chaldeans, Turkmen, and Armenians. The population of the Region is skewed young, with 36% aged 0-14 years and only 4% over the age of 63. The median age is just over 20.

Language:
Kurdish, Arabic, Turkmen

Traffic Flow: Right

General Board of Tourism

One of the best digital sources for detailed information about tourist sites is the website of the General Board of Tourism. The Board has also produced a mobile app for tourists visiting the Kurdistan Region.

Religion

The majority of Kurds are Sunni Muslims. There are also multiple Christian sects including Syrian Catholics, Syrian Orthodox, and Assyrians.

ATM & Credit Card

Modern banking is only in its infancy in Kurdistan. As such, ATMs can be difficult to find. Additionally, most hotels receive commission from credit card payments. Some of the larger hotels and shopping malls house ATMs, as do more recently constructed banks.

Mobile Operators:
Asiacell, Korek, Zain

Electrical Appliances: 220V.

Visa

Citizens of the US, Canada, Australia, New Zealand, Turkey, and EU countries are issued free, 15-day visa stamps upon arrival in the Kurdistan Region. Other nationalities are required to get a valid "Iraqi" visa from their local Iraqi diplomatic office. KRG Representations abroad do not issue Iraqi visas. Travelers wishing to remain in Kurdistan for a period longer than 15 days are required to visit an immigration office to obtain the necessary documentation. The entire process can take up to four hours to complete. Companies may expedite the visa application process by registering a new employee with Iraqi authorities and applying for all necessary permits on behalf of the individual prior to his or her arrival in Kurdistan.

Airports

Erbil International Airport (EIA)
Slemani International Airport (SIA)

Airlines Flying to Kurdistan

Air Arabia, Air Berlin, Air Olympic, Al-Naser, Aseman Airlines, AtlasJet, Austrian Airlines, Azmar Airlines, Caspian Airlines, Cyprus Airways, Egypt Airlines, Emirates, Etihad Airways, FlyDubai, FlyGeorgia, Georgia Airways, Germania Airlines, Gulf Air, Hermes Airways, Iraqi Airways, Lufthansa, Mahan Air, Middle East Airlines, Olympic Airlines, Pegasus Airlines, Qatar Airways, Royal Falcon Airlines, Royal Jordanian, Transavia, Turkish Airlines, Viking Hellas, ZagrosJet

Upon Arrival

There are two main ways for a traveler to get from Erbil International Airport to a destination in Erbil. The longer (but cheaper) route involves new arrivals taking an airport bus to a separate terminal, where passengers may then bargain with taxi drivers for a fare usually between 5,000-10,000 IQD. The more direct (and expensive) route is to book a private taxi for approximately 25,000-30,000 IQD. "Hello Taxi," a local company, has an agreement with the airport that allows its vehicles to access the terminal directly. Vehicles can be booked in advance via the company's website or by waiting in line outside the main arrival/departure terminal.

Taxis

Taxis in Kurdistan do not have meters. Instead, passengers and a driver must agree on a price prior to departing for a destination. Taxis are readily available on most major roads in all large cities in Kurdistan. Rides within cities normally cost somewhere between 5,000-10,000 IQD. A private taxi between any of Kurdistan's three major cities will cost between 120,000-150,000 IQD. There are generally two types of taxis in major cities: those painted in white (private drivers), and others painted in a light tan color (government vetted drivers). The latter are generally newer and safer options.

Diplomatic Missions

Austria: +962 (0) 6 462 4304
Belarus: +964 (0) 750 445 0973
Brazil: +964 (0) 750 446 7906
Czech Rep.: +964 (0) 66 254 7983
Denmark: +964 (0) 66 264 8299
Egypt: +964 (0) 66 210 1730
France: +964 (0) 66 257 3583
Germany: +964 (0) 750 790 7909
Greece: +964 (0) 770 640 8848
Iran: +964 (0) 66 222 2444
Italy: +964 (0) 770 144 9000
Japan: +964 (0) 66 257 3661
Jordan: +964 (0) 750 811 4442
Korea: +964 (0) 750 793 4501
Netherlands: +964 (0) 750 198 7002
Palestine: +964 (0) 750 881 5420
Poland: +964 (0) 750 173 4346
Romania: +964 (0) 66 224 6715
Russia: +964 (0) 750 134 8674
Slovakia: +964 (0) 750 445 7412
Spain: +964 (0) 750 630 0503
Sweden: +964 (0) 770 045 9530
Turkey: +964 (0) 66 224 6233
UAE: +964 (0) 66 224 6710
UK: +964 (0) 750 722 8178
USA: +1 240 553 0590

Public Holidays

1 January – New Year's Day
6 January – Army Day
5 March – Uprising Day
11 March – Liberation of Erbil City
14 March – Mustafa Barzani's Birthday
21-23rd March – Nawroz (Kurdish New Year)
9 April – Baghdad Liberation Day
1 May – Labour Day
14 July – Republic Day
25 December – Christmas Day

Religious Holidays

The dates for the holidays listed below are based on the Muslim calendar, and therefore change each year.

- Mouloud (Prophet Mohammad's Birthday)
- Eid-al-Fitr (End of Ramadan)
- Eid-al-Qurban
- Muharram
- Ashura

Basic Expressions

English	Sorani	Kurmanji
Hello	Rozh-bash	Rozh-bash
Good morning	Beyanee-bash	Beyanee-bash
Welcome! (on arrival)	Be kher bi(t)	Be kher hati
Goodbye	Khwa-hafees	Khwa-hafees
Thank you	Supas	Supas
You're welcome	Ser chaw	Ser Chaava
How are you?	Chonee?	Chaawani?
Are you well?	Bashee?	Bashee?
I'm fine, thank you	Bashem, supas	Bashem, supas
What's your name?	Naw-et cheeya?	Nav-ey ta cheeya?
My name is John	Naw-em John-ah	Nav-ey min John-ah
Please	Zahmat Nabe	Bey Zahmat
Where is the bazaar?	Bazaar le chweya?	Bazaar la kidareya?
Where is the Hotel?	Otel la chweya?	Otel la kidareya?
Yes	Aa / Balay	Aa / Balay
No	Na	Na
OK	Bale	Bale/Arey



Hospitals

PAR Hospital
60m St., Erbil
T: +964 (0) 66 210 7001

Azadi Hospital
Nakhosh-Khana St., Duhok
T: +964 (0) 627224074

International Hospital
Salim St., Slemani
T: +964 (0) 770 384 4040

Pharmacies

Pharmacy One
Bakhtiyari St., Erbil
T: 0750-330-5888

Hawler Pharmacy
60 Meter St., Erbil
T: 066-223-6633

Dental Care

European Dental Center
Bakhtiyari St., Erbil
T: 066-210-0251

Handy-man

Erbil Maintenance
erbilmaintenance.com

House Cleaning

My Flavor Catering
Ainkawa, Erbil
T: 0750-203-9337
myflavorcatering.com

Dry-Cleaning

Comfortable Dry-cleaning
Dream City, Erbil
T: 0750-861-9944

Post Office

PelePost
30 Meter Street, Erbil
T: 066-222-3222

Travel Agency

Laru Travel
Divan Erbil Hotel
T: 0750-455-4411

Grocery Stores

Carrefour
Family Mall, Erbil

Holland Bazaar
English Village, Erbil

Food Delivery

B2B Restaurant
T: 0750-814-1444

Hardware Store

Ace Hardware
aceiraq.com

++++++++++
Emergency Services
Police: 144 / 124 / 104
Ambulance: 122
Fire Station: 066115

English News Media

Rudaw News
www.rudaw.net/english

English Radio

Babylon FM – **99.3 FM**

Rental car

Europcar
Italian Village, Erbil
T: 0750-737-2288

Avis
Divan Hotel, Erbil
T: 0750-522-4986

Logistics

Aramex
Ankawa, Erbil
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Banks

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T: +964 (0) 66 2100546

Kurdistan International Bank
T: +964 (0) 66 2239149

North Bank
T: +964 (0) 7702138349

Currency Exchange

There are formal currency exchange centers at airports and modern shopping facilities in Kurdistan. However, informal exchange booths in the traditional bazaar areas offer more favorable rates.

Currency

$1= 1,200 IQD

Erbil—

The beginning of life in Erbil is associated with the creation of the historic Erbil Citadel, which has been continuously inhabited since at least 6000 BCE. The Citadel, which sits atop a plateau and is designed in a circular shape, has inspired the development of the city as a whole, which forms increasingly large, concentric rings expanding out from the structure. The size of the city has expanded dramatically in recent years as its population has grown from 500,000 in 2004 to 2 million in 2012. This rapid development has strained Erbil's existing infrastructure, particularly its road networks and sewer systems. The considerable amount of infrastructure development that has taken place within the capital over the past few years has somewhat alleviated these issues, though.





























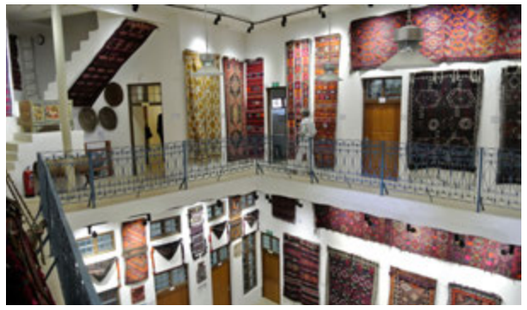


Duhok—

The modern city of Duhok has historically served as a bridge to the Region's most strategically significant neighbor: Turkey. The city, which is home to approximately 1.3 million residents, has a comprehensive master plan that will guide development through 2032. The plan itself calls for a phased approach to address current and future issues, particularly the need for urban rehabilitation and infrastructure improvement. Duhok's proximity to the Tigris River (and the scenic mountain ranges that frame the waterway) make it ideally suited for Kurdistan's developing tourism industry.









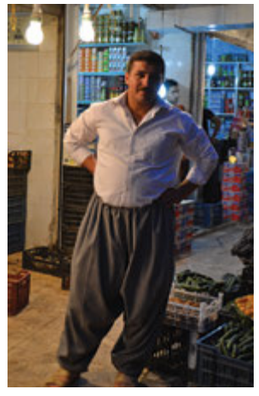


Slemani—

Nicknamed the "cultural capital" of the Kurdistan Region, the modern city of Slemani was founded in 1784. Today, it is well known for its open, relatively liberal, and tolerant society, as well as being a center for culture and learning. The city boasts a population of approximately 1.9 million inhabitants and is expanding at a rapid pace. Prior to 2003, the city was contained within a 60-kilometer ring road. Since then, however, rapid urbanization has led to residential and commercial development beyond this area. Without the benefit of a development master plan, this growth has resulted in urban sprawl. A master plan has since been implemented and is designed to improve functionality while supporting projected population growth. As such, Slemani currently has the capacity to accommodate its projected five-year population growth without the need for additional horizontal expansion.



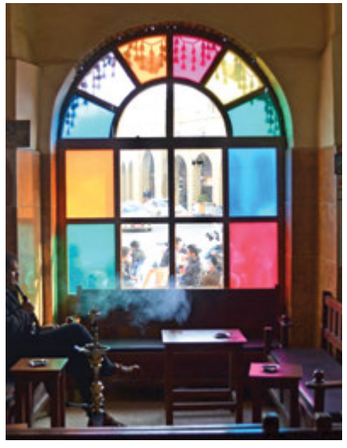


















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Setting the Bar High



Emre Altunal —
General Manager, Divan Erbil

IIG talks to Emre Altunal, General Manager of Divan Erbil, on the hospitality industry in the Kurdistan Region.

How would you define the hospitality industry in the Kurdistan Region, and Divan Erbil's added value to the market?
Despite the KRG's current difficulties, the outside world has increasingly been acknowledging the appeal of the region's diversity of peoples, landscapes and traditions. I believe it is time the word went out again that the KRG is a great place to see. The region was recognized as one of the "41 Places to Go in 2011" by The New York Times. National Geographic similarly named the region as of the "20 Best Trips of 2011". Aside from its natural beauty, the approximately 3,500 historical sites spread across the three governorates make the region a key destination for foreign visitors.

As a towering addition to Divan Group's collection of fine 5 star hotels, Divan Erbil brought an innovative style and state-of–the-art luxury to the heart of the world's longest-inhabited city, Erbil, Iraq. As the most visually striking modern structure in Erbil, and a local landmark, Divan Erbil incorporates the latest in leisure and business technology, luxury accommodation and amenities, redefining the concept of the business hotel from the ground up. We, at Divan Erbil, as people, a brand and a property always aim to provide the highest-end hospitality experience to our guests by making them feel fully at home.

What is it that makes Divan Erbil different from the other hotels in the Kurdistan Region?
There are many areas in which I believe we excel, however above everything I would simply say that it is "people". From our security to the doorman, from reception to housekeeping, food and beverage, kitchen staff, engineering, sales, finance; in short the entire team puts all their effort into making our guests feel that they are in safe hands. This is something that they do with great passion.

> **As the most visually striking modern structure in Erbil, and a local landmark, Divan Erbil incorporates the latest in leisure and business technology, luxury accommodation and amenities, redefining the concept of the business hotel from the ground up.**

On top of our passion for service, we have an unbeatable location and lay out, top-level security measures, a variety of well-equipped guest rooms starting from 45 square meters up to 300 square meter suites, different kinds of cuisine, including 'local tastes', international flavors, Turkish cuisine and far-east cuisine. Our Sushi bar on the top floor is a unique place not only for its delicious rolls but thanks to its view and atmosphere. Moreover, we have a variety of hi-tech meeting rooms, we have the biggest ballroom in the region with a 1000pax capacity, a fully-fledged spa with an in-door heated pool, a Turkish bath, massage rooms, a steam and sauna, and gym facilities.

All of the above-mentioned features are what make Divan Erbil "unique" in the region. These make it an ideal choice for clients and travelers from all different backgrounds.

Divan Erbil

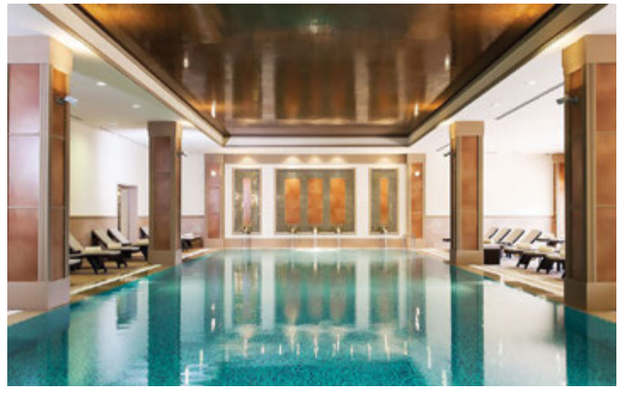
The 24-story Divan hotel features 227 guest rooms, ten meeting rooms, five restaurants, four up-scale boutiques, a cigar lounge, multiple bars, a gym, and a spa. The hotel seeks to redefine the business experience with its well-appointed rooms, gourmet dining options, luxurious décor, and spacious meeting areas. For its efforts, the World Travel Awards named the Divan *"Iraq's Leading Business Hotel"* for 2014.





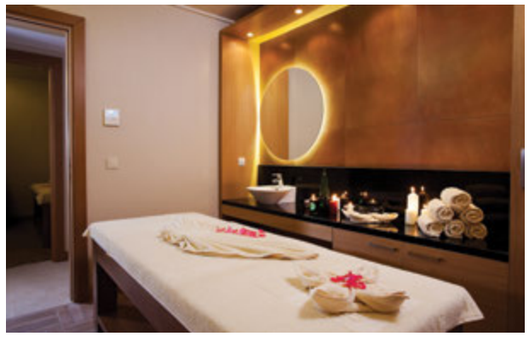












Luxury Recreation & Fitness

The Divan Erbil has added an expansive spa to its portfolio of luxury amenities. Hotel guests and Erbil residents alike can take advantage of the spa's state-of – the-art fitness facilities. The spa also features a 20-m semi-Olympic indoor pool, sauna, and steam room, as well as message suites and a Turkish bath.



Treasured Time



Ghassan Dalal —
Manager, Erbil Rotana

IIG talks to Ghassan Dalal, General Manager of Erbil Rotana, on the hospitality industry and the hotel's future plans.

What are your own main objectives for the remainder of the year?
The remainder of this year looks positive for our property, considering the exhibitions that are planned to take place in Erbil, which we are working to capitalize upon to get more business from MICE and large groups. Furthermore, we are very keen on attracting new markets. Part of our strategy is to cover the Levant area since we have seen much interest in investment from this region, in addition to the GCC countries. The Rotana brand is renowned across the region for its excellent high standards service and reputation.

Erbil Rotana is well-known for culinary indulgence. We are known for the sublime tastes we deliver, complemented by world-class service. As such, we continue to surprise our loyal visitors with new and interesting theme nights, promotions and enticing offers at any of our four outlets, each with its own delectable variety of cuisine.

How important are international events and conferences for your business? Why should customers choose Rotana for events and conferences?
Erbil Rotana offers seven fully equipped meeting and events venues with flexible seating plans. These can accommodate requests of any type. The Grand Ballroom, with a capacity of 1,000 persons, can be divided into two sections and is a perfect venue for local and international seminars and conferences. We have a dedicated team available to facilitate every detail involved in hosting outstanding business, social and private events, such as engagements, weddings and more. We are the only hotel that provides such services in the city; none of the other hotels in the market offer the facilities we have, in terms of MICE space. We have a dedicated team taking care of large events. These events require a lot of backstage work. Organizing conferences involves a lot of details and this requires a special team to handle it. One major event could occupy one staff member full-time for two to three weeks so we need a structured and dedicated team in place and thankfully we have both. I believe we will remain the only venue that can cater to such services for the time being.

Rotana is a brand known for excellent customer service. In your view, what factors enable this, and what does Erbil Rotana add to the field?
What sets us apart is the high benchmark we have set that other hotels in Erbil cannot match because we are backed by a strong company. First of all, the Rotana's capability and wealth of experience, along with its vast understanding of the hospitality needs of the Middle East and Africa, ensured the success of its Erbil branch. Since opening we have delivered our brand promise, which is "Treasured Time. Our promise to you". Nowadays, time is the most precious commodity in everybody's busy life and, therefore, we have chosen to embrace this and make Treasured Time a priority for our guests, owners, partners and colleagues.

In addition, we have a 350-person team, committed to our goal of delivering the highest standards possible. Erbil is a very young city and we came here to provide the best we can. Moreover, our careers website www.rotanacareers.com has generated us a great database of potential candidates. Our HR Research and our Learning & Development departments have also played a role in boosting employee morale and emphasizing career development and sustainability. We cannot but mention our true company values, and with those we ensure our brand is delivered with consistency and integrity. We call this the Rotana L.I.F.E, standing for long-term, innovation, friendly and ethical. Another area we have focused on is rewarding our clients' loyalty through the Rotana Rewards Program (www.rotanarewards.com). We have set up ways to recognize repeat customers so we can make them feel really part of this hotel, as a team and as a family. From the very first day we wanted to make every guest feel at home and we have done this with genuine service and by building strong relationships with them on an emotional and personal level, not just as their preferred accommodation. Our facilities and rooms are certainly important, but the relationships are key. I believe it was by doing these that we won the World Travel Award of Iraq's Leading Hotel for four consecutive years in 2012, 2013, 2014 and 2015. Moreover, we promise to maintain our reputation into future. We have strategically located outbound sales offices all over the world which provide us with both exposure and business opportunities.

> "The Rotana's capability and wealth of experience, along with its vast understanding of the hospitality needs of the Middle East and Africa, ensured the success of its Erbil branch."

What would you say is the significance of the Erbil Rotana within the company's Middle East portfolio?
Erbil Rotana has become a landmark in Erbil and a leader in both service and occupancy. It is truly one of the gems of the historic city and has received many awards since its opening in 2011. This glittering five star property defines luxurious hospitality standards in Erbil. Not only this, Erbil Rotana has ranked as the top secured hotel by the US Governmental Oil & Gas Organizations and the United Nations.

The hotel's location has lent it significance and an advantage for both business and leisure travelers. Built on a premium 20,000 sqm area of land, Erbil Rotana is strategically located adjacent to the English and Italian villages, while the Erbil International Airport and major business areas are less than a 10 minute drive away. The hotel is close to the Erbil International Fair Ground and opposite the beautiful park Sami Abdul Rahman; the largest park in Iraq. Its ideal location also gives guests the opportunity to explore sites such as the historical "Citadel" and the downtown bazaars.

About

Ghassan Dalal has over twenty years of experience in the international hotel industry including Canada, Egypt, Lebanon, Nigeria and Sudan. He holds a B.S. degree from the University of Calgary and and GMP from Cornell University.

Rotana

Rotana currently manages a portfolio of over 100 properties throughout the Middle East, Africa, South Asia and Eastern Europe with an aggressive expansion plan in place. Rotana has chosen to acknowledge how precious time is by making all time spent in their range of hotels 'Treasured Time'. This means Rotana has pledged to understand and meet the individual needs of all guests. In so doing, Rotana has evolved its product brands to include Rotana Hotels & Resorts, Centro Hotels by Rotana, Rayhaan Hotels & Resorts by Rotana, Arjaan Hotel Apartments by Rotana and The Residences by Rotana.

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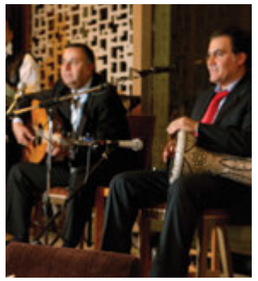
Rotana Erbil

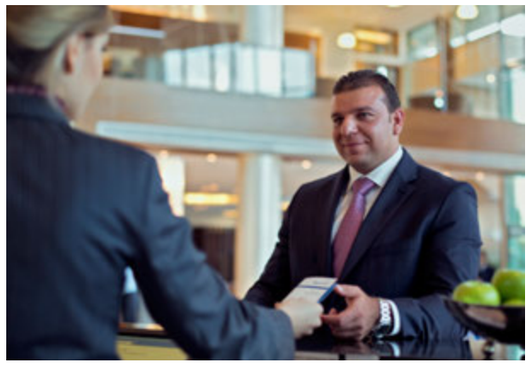
Rotana Erbil has been named *"Iraq's Leading Hotel"* for 2012, 2013, and 2014. The hotel features 201 lavish rooms and suites, five food and beverage outlets, a grand ballroom, five small meeting rooms, a health and wellness center, and multiple luxury boutiques. The hotel's dining options (notably Basilico, Italian restaurant, and Al Bustan, which offers authentic Lebanese cuisine) are known throughout the surrounding region.







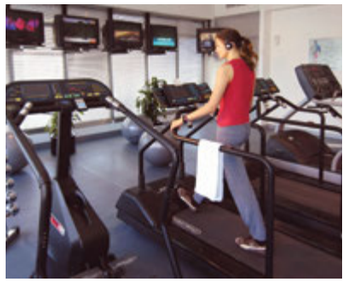














Zen the Spa

Zen the Spa provides premier therapeutic treatments offered by certified spa therapists. The facility, the first of its kind in Kurdistan, features five massage rooms, as well as dedicated sauna and steam rooms.



Poolside Living

Every day in the summer from 07:30 to 22:30, guests at the Rotana Hotel are invited to take a break from their busy schedules and indulge in a bit of relaxation courtesy of the finest swimming pool in Erbil. The facility, which is surrounded by a lush, green garden, also offers outdoor dining options and fresh drinks at the Aquarius Pool Bar.













Inspire your guests and meet at Erbil Rotana!

Conveniently located 10 minutes away from Erbil international Airport, the main international fairground and business center. The hotel is adjacent to the English and Italian villages and opposite of the beautiful park Sami Abd Al Rahman; one of the largest parks in Iraq.

Erbil Rotana is an ideal venue to serve your business needs, meetings and events. The hotel provides state-of-the-art conference and seminar requirements spread over 2 floors. The banquet area includes 7 fully equipped and flexible meeting rooms offering daylight with the latest audio-visual equipments addressing the needs of business conferences, meetings, wedding parties or gala dinners. A professional catering & events team is available all the time to make your event a success.

Business travelers can enjoy our wide variety of facilities ranging from 5 restaurants to our enchanting Zen the spa by Rotana or Bodylines Leisure & Fitness Club.

To learn more about Erbil Rotana ongoing promotions, please visit rotanatimes.com.





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Erbil Rotana

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